

# Nation's Business

A USEFUL LOOK AHEAD

JUNE 1964

## PEACE TREND WILL BRING BETTER BUSINESS

PAGE 66



Government keeps food prices high PAGE 38

Experts analyze investment outlook PAGE 106

More jobs coming twice as fast PAGE 31

New way to improve your decisions PAGE 58

# YOUTH



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# Nation's Business

June 1964 Vol. 52 No. 6

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## **7 WASHINGTON BUSINESS OUTLOOK**

How business prospects shape up for 1965; profit margins improve; a different look at owners of American industry

## **14 EXECUTIVE TRENDS: How incentives will change**

A leading management authority tells what it will take to spur productivity in the future; a new slant on your memory

## **23 WASHINGTON MOOD: President's policy dilemma**

As much as he might like smooth election year sailing in foreign affairs, Mr. Johnson can't escape policy storms

## **27 STATE OF THE NATION: Splits produce moderates**

Internal dissension in both parties indicates that politics tends to resist the standardizing pressure from Washington

## **31 More jobs coming twice as fast**

Fundamental changes in employment patterns are forecast within rising total of workers during remainder of decade

## **34 What communist breakup means to us**

The free world will be faced with a new kind of challenge, says a noted authority on the international Red movement

## **36 Unions make these new demands**

Patterns fade as workers press for full protection against the hazards of jobs and life; what Walter Reuther wants

## **38 Government keeps food prices high**

Here's how Uncle Sam himself makes necessities costlier for the people he seeks to help—consumers and the poor

## **40 U. S. science entering new era**

Top adviser to President Johnson forecasts future trends in technology, reveals new approach to spurring business



**42 A LOOK AHEAD: Now guns shoot carrots**

Research works on dramatic new food processes; mailers face prodding to help cut government's parcel post costs

**58 New way to improve your decisions**

You can eliminate many of the hit-or-miss elements in making a judgment if you use this scientific technique

**66 Peace trend will bring better business**

Vast new future opportunities are assured as brainpower and investments are rechanneled into the civilian economy

**75 OBJECTIVE: THE WHITE HOUSE**

**76 How Democrats expect to win**

Party counts on prosperity and peace theme to gain voters, persuade them that President Johnson should keep his job

**77 How Republicans expect to win**

G.O.P. plans massive drive to get votes in big cities where past topheavy Democratic majorities carried whole states

**86 What's ahead—by year 2000**

Study of major economic trends since 1900 shows what is likely to develop in U. S. during remainder of this century

**98 When it's right to be wrong**

Continually insisting that you're right can undermine your long-term success; these suggestions can help avoid woe

**106 Experts analyze investment outlook**

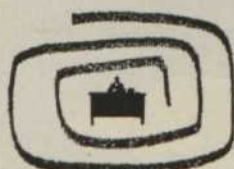
Bankers size up current stock market trends and tell what changes to look for during remainder of this year and next

**112 The Senate's turn to save**

Pledge adopted when tax-cut bill was passed is pertinent now as upper chamber votes on new year's appropriations

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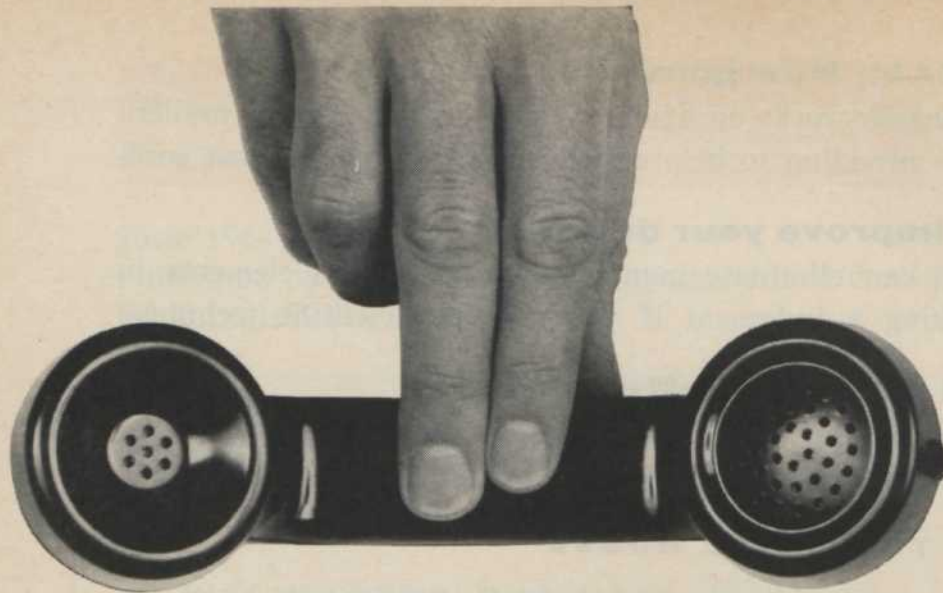
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# WASHINGTON BUSINESS OUTLOOK

**Seven per cent** of American families with income of less than \$3,000—Administration's poverty point—own shares of U. S. industry.

**Optimism with a capital O**—describes outlook for business at this time.

There's reason aplenty.

With U. S. economy moving into 40th month of continuous growth, way appears clear for at least a dozen more good months.

And probably more.

**Business will forge ahead** steadily throughout 1964 and 1965, says William F. Butler, vice president of Chase Manhattan Bank in New York.

"Business prospects for the remainder of this year and into early 1965 appear excellent," says Beryl W. Sprinkel, vice president and economist of Harris Trust and Savings Bank in Chicago.

Another Chicagoan, Herbert E. Johnson, of Continental Illinois National Bank and Trust Co., says:

"Over the year ahead a large number of important measures of economic activity will be rising to record levels."

He lists personal income, consumer spending, business investment in new plant and equipment.

Industrial production is headed up. And corporate earnings keep rising.

Economist for a large manufacturing firm in the East tells Nation's Business:

"Factors of strength and expansion seem to be so forceful at the moment that a general upward course appears inescapable over the next 12 months."

Comments another:

"The outlook is very encouraging, but experience always reminds us we should never take it for granted.

"Optimism invariably causes decisions to be

made which can set in motion forces leading to unsustainable expansion and decline. To date these are not evident, but they may be lurking in the shadows."

Coin's other side—potential trouble ahead—is also mentioned by other economist.

**You can minimize surprise** by keeping perspective in your business planning.

"Hopefully we can avoid any decline before moving into the second half of the decade," one economist comments.

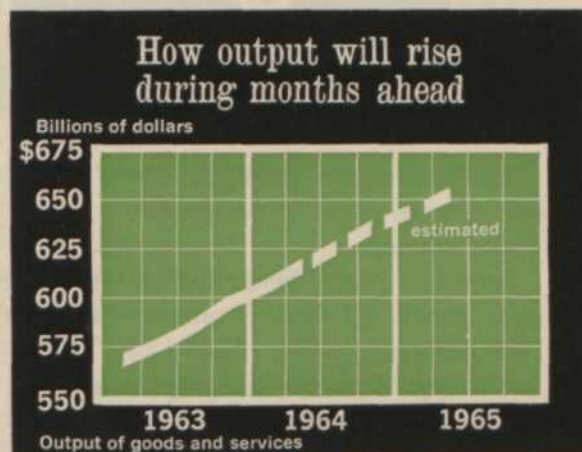
"This is not a certainty, however, and to the extent that the economy booms during the remainder of the year and into '65, we may anticipate some kind of slump in the subsequent period."

The stickiest problem, cautions another, is keeping costs under control.

Mr. Butler sees two clouds on this year's horizon:

"One is the possibility of an automobile strike which could affect over-all industrial production. The other is the possibility of a return to a situation of strong inflationary pressures which could menace our future prosperity."

Similar fear of inflation is expressed by another business economist: "Perhaps the key





issue in the business outlook is whether renewed inflationary psychology will become widespread over the year ahead.

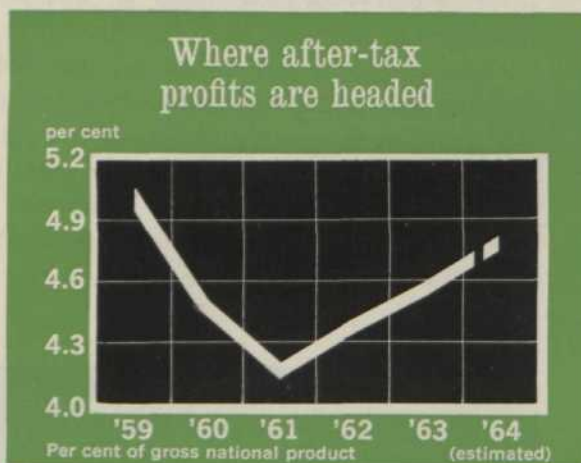
"While odds are not higher than 50-50 on this prospect, they are distinctly greater than at any time in the past three years."

Substantial inflation is not near at hand, Mr. Sprinkel says. "But I would expect some interruption of the stable pattern that has held for the past several years."

This possibility will become more real as the economy approaches a higher level of employment of both labor and capital later in the year.

**Profit margin improves**—with hopeful signs of more to come.

This trend shows up in new projections of corporate earnings for '64.



But economists point out there's need to keep improvement in perspective.

For example:

After-tax profits amounted to 4.6 per cent of all goods and services produced and sold in U. S. last year.

This year's margin is expected to move up to about 4.8 per cent. But that margin is no record.

It compares with 5.8 per cent in '55, for example. It's also lower than three other years since then.

Still it's improvement. And businessmen are optimistic that cost-cutting and higher volume will produce further profit gains next year as well.

**Credit will attract** more attention.

This view comes from a business economist who cautions:

"While the general credit situation seems strong, there are increasing instances of acute credit difficulties arising across the country."

Some of these, he says, relate to speculative ventures, including some building projects.

There's some concern as well about consumer credit—whether it has been rising too fast in some areas. Total went up substantially during past 12 months. It's expected to continue rising this year, though by a smaller total.

Credit specialists think situation is okay for now. But it bears watching.

**When will next business downturn** come?

Some economists suggest it could come near end of next year. It's unlikely before then.

But they admit that's guessing. What happens in late '65 depends on developments in next 12 months.

One key to future economic trends is what happens to business inventories.

At the moment, economists say, goods on the shelf are in line with sales. They are expected to stay in line.

But if goods are stockpiled too rapidly for sales volume to keep pace, business becomes more vulnerable to a downturn. Here's one economist's view:

"The evidence strongly suggests that past recessions were man-made. As our knowledge improves we will be able to avoid to some ex-



# WASHINGTON BUSINESS OUTLOOK

tent the repetitive nature of past business cycles.

"However, I do not mean to imply that the business cycle is dead. Mistakes have been made in the past and they undoubtedly will be made in the future—but none is on the horizon at this time."

## **Faster job growth** is coming.

New projections by work-force specialists show likelihood that 80.5 million Americans will be at work by 1970.

As expected, jobs will be growing faster for people with training and education.

Opportunities shape up like this:

There'll be 24 per cent rise in employment of professional and technical people between now and '70.

Jobs in sales will go up 26 per cent.

There's to be 20 per cent more employment in clerical and related fields with a 13 per cent rise for managers, officials and proprietors.

Big rise coming in number of craftsmen and foremen.

## Projection shows where job growth is coming

Between now and 1970—  
White collar jobs will rise

**20%**

Blue collar work will go up

**15%**

Employment in service industries also will rise substantially.

(For useful look at the future in detail, see page 31.)

**Watch for employment** to go above 71 million this month.

Don't be surprised if number reaches 72 million next month. It'll be high in August, too.

Youngsters out of school will flood job market during summer as usual.

Important is what happens next fall when new semester begins.

Here's how that situation looks now:

Basic employment will remain high. It's a good guess that employment will remain at or near 70 million from Labor Day through Christmas.

Unemployment during that period is expected to be below four million. October will almost surely see less than 3.5 million out of work—lowest jobless number of the year.

## **Spotlight on trends:**

**Taxes**—New estimates coming out in two to three months may show federal collections for fiscal year that begins next month about \$2.5 billion higher than recently estimated. Result of improving business conditions.

**Government debt**—Look for total to exceed \$311 billion at end of this month.

**Foreign trade**—Imports will go up faster than exports this year. About \$2 billion rise is coming. Exports are expected to go up about \$1 billion.

**Population**—New projection shows Americans will number 200 million in about three years.

**Living standards**—Per capita income after taxes is now above \$2,200. It's expected to be \$2,300 a year from now.

**What impact will elections** this year have on business?

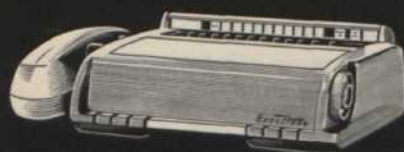
Not much, according to history.

In 33 presidential election years business was rising in 12, falling in 12 and shifting sideways in nine.



## Switch voter rejects party membership

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I READ with interest your article "Who Will Elect the Next President" [April]. I was quite surprised to learn that a switch voter was of rather low mentality, whereas a strict party voter was a person of superior intellect. I disagree with you for the following reasons:

It appears stupid to me to vote either Democratic or Republican, time after time, without regard to issues or the person's ability.

Can you or anyone else prove to me wherein the two parties differ? Yes, candidates for office use various techniques to try and establish a difference. Sometimes I feel I am a spectator at a popularity contest.

You may wonder who I am. I will tell you.

No one calls me stupid.

I will not join a political party.

I have, I am told, established myself as a successful businessman.

Most of my friends are people with good positions in business. Again, they are for the most part switch voters who understand the issues of today.

ALBERT C. FERDON  
President  
Ferdon Equipment Co.  
Hillside, N. J.

### Air France: U. S. customer

In "Saving Gold—Easier Said Than Done" [March] you mention Air France in a context which makes us appear as the single foreign airline darkly involved in the complex subject under discussion.

So that you may know more about Air France and its contribution to the U. S. economy I enclose some facts and figures:

Henri G. Marescot, general manager for the North, Central American and Caribbean area, reports first, that the 1963 operating expense of the company's 30 offices and six stations in key U. S. cities totaled \$22.7 million. More than 1,000 persons are employed by Air France in the U. S. and salaries paid them annually amount to \$9.4 million. Another major Air Force

outlay in the U. S. is \$4 million spent annually on all types of advertising in newspapers, magazines, on radio, and direct mail and merchandising. Air France also spends more than \$1 million a year on its telecommunications and operating its passenger reservation centers.

Food bought in the U. S. costs about \$1,280,000 a year. Landing, takeoff and support tax fees paid in the U. S. alone cost \$500,000 a year.

On the technical side, Air France spends about \$18 million a year for engines and spare parts.

A further French contribution to the U. S. economy is the rising influx of French visitors.

In conclusion, Mr. Marescot said that total Air France expenditures in the U. S. during 1963 surpassed by several millions the company's receipts from the sale of tickets in North America.

NORMAN READER  
Manager of Public Relations  
Air France  
New York, N. Y.

### New ideas get start

I was much interested in the article on education for business in your April issue; interested both in what you said and what you did not say.

It seemed to me that you stressed the improvement in quality of students almost to the exclusion of what is happening with respect to the aims of business education and the innovations in teaching concepts and methods which are being made to implement the new aims.

The faculty of our School, over a five to eight year period, has evolved and has put into effective operation newly conceived approaches to undergraduate (liberal), master's (professional), and doctoral (teaching and research) education for business and for living and working in a predominantly business society.

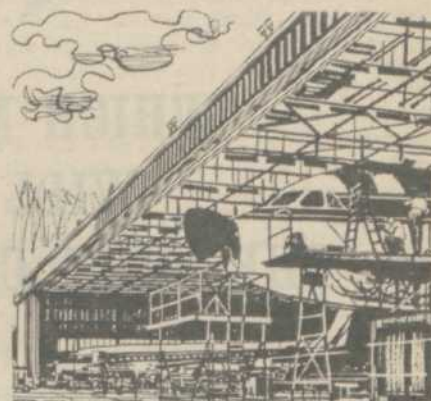
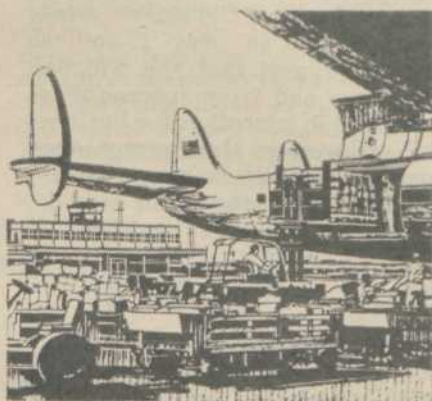
Liberal, in our terms, includes



# AIRLINES' GROWTH IN 4-STATE AREA OF SOUTHEAST OUTPACES NATION DURING 10-YEAR PERIOD

*Payrolls and Purchases in Alabama, Georgia, Florida and Mississippi Exceed \$264 Million in 1963*

The rate of increase in passengers, mail, freight and express registered during 1952-1962 by domestic airline operations in Alabama, Georgia, Florida and Mississippi exceeded that of the nation as a whole.\* In addition these carriers are making an important contribution to the region's economy. In 1963, they employed 19,578 persons in this 4-state area, with payrolls of \$147 million and purchases of \$117 million.



Fast and frequent air service rounds out a transportation system vital to the continuing growth of the four states.

Essential also to the area's expanding economy is an abundant supply of electric power. The Southern Company system provides it and builds for the future.

During the period 1953-63, inclusive, the affiliated companies — Alabama, Georgia, Gulf and Mississippi Power

Companies and Southern Electric Generating Company — spent nearly one and one-half billion dollars for generating plants and transmission and distribution facilities. An additional \$600 million expansion program is planned for the period 1964-66.

Growth and expenditures such as these signalize the opportunities to be found in the area.

*RATE OF GAIN 1952-1962	4-STATE AREA	UNITED STATES
Originated Passengers . . .	140%	125%
Tons Airmail . . . . .	155%	128%
Tons Cargo . . . . .	173%	118%

SOURCE: 1962 AND 1963 REPORTS, CIVIL AERONAUTICS ADMINISTRATION, CIVIL AERONAUTICS BOARD AND FEDERAL AVIATION AGENCY.

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not only traditional courses in the liberal arts but general education courses within the framework of the curricula of the School of Business. It includes seeing things as wholes, searching across the borders of separate disciplines to discover relevancies, a sense of personal integrity, a feeling of social responsibility.

The graduate business program is the only one I know of which is successfully differentiated from undergraduate programs even though the great majority of students come to both with no prior education in business subjects.

Perhaps you will think, as I do, that a sequel to your April article might well deal with what lies ahead in business education in terms of the new ideas generated by members of business school faculties. If so, may I not too humbly suggest that you will find more true and truly successful innovations in education for business at Northwestern than at any other business school in the country, which means in the world.

RICHARD DONHAM

Dean  
Northwestern University  
School of Business  
Evanston, Ill.

### Old idea lives on

In August of this year Oxford University Press will publish for me a large volume entitled "Ideas and Diplomacy." This volume comprises essentially a large set of readings on the intellectual tradition of American foreign policy, all introduced with extensive commentary which I have prepared.

In this volume I have included one reading taken from NATION'S BUSINESS. It is as follows:

An article by William E. Borah, "Disarmament," (September, 1921).

I hope that you will grant me permission to use this important material.

NORMAN A. GRAEBNER  
Professor of History  
University of Illinois  
Champaign, Ill.

### For all to see

We have placed "You Pay in Advance" [April] on our bulletin board for everyone to see. Why don't you run a series of these with the suggestion that the page be placed on the plant bulletin board? That's a simple way to get maximum exposure.

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Marsh Stencil Machine Co.  
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# HOW INSURANCE AFFECTS YOUR PROFIT

**Often a Business's  
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Insurance Can Tip  
the Profit Balance**

*With many — perhaps with most — industries, insurance is second only to payroll and raw materials as the largest single item of expense. A multitude of forms of coverage is now available to protect the business against a host of perils.*

Certainly it would be unthinkable for a business firm today to suffer a crippling, uninsured fire loss. Yet, examples could be found of severe losses from business interruption, against which insurance could have been procured.

Even more common, for every business that suffers a paralyzing loss of this type, there are scores that experience diminished profits because they fail to get the maximum returns from the money they spend for insurance.

In Insurance, today, as in other fields of merchandising, it is possible to offer reduced rates for quantity purchases. The size of the risk is a perfectly proper basis for a gradation in the rate. So too is the combination of one line of coverage with risks in other fields to produce additional revenue for the insurer. Beyond that, it is proper to reduce rates for risks which have within them factors that cause them to produce fewer than average losses, and also to make additional concessions for an actual record of good loss experience.

One of the first things the Insurance Buyer will want to check is to be sure that his risk is not improperly classified to his disadvantage. In nearly all lines risks are grouped according to factors which tend to make losses either probable or unlikely. In fire insurance this is likely to be based on the type of building construction, the fire protection afforded in the place the risk is located, and the exposure to conflagration hazards. In compensation it is likely to be based on the accident frequency and severity in the type of work performed. In automobile lines it will include the exposure prevailing in the community where the car is garaged, the age of the driver, the use to which the vehicle is put, and the actual driving record of the operator.

In many of these lines the proper classification is obvious; in others there is more room for debate. In compensation the classes are sufficiently refined and the operations of a business may be sufficiently varied to permit assignment to a category less favorable than the insured deserves. To avert this, the Insurance Manager should keep his insurer, as well as his agent or broker, well informed on all aspects of his company's operation.

Once the proper classification of the risk has been determined, the insured may set about improving its quality. Thus he may help avert misfortune for himself at the same time he is reducing his premium. In fire lines he might do this by installing a sprinkler system. Or he might help secure better public fire protection for the community. To lower costs on compensation insurance he might install safety guards on his machines. And he might institute a safety program for his employees. Many truck lines have been able to reduce their losses — and their premiums — both by close attention to the condition of their vehicles and also by training courses for their drivers.

Insurance companies are glad to meet the insured half

In today's complex business era, insurance has become one of the most significant factors facing management of businesses large and small. Inefficient premium expense may overturn an already sensitive profit balance. Inadequately planned protection may lead to catastrophic loss and business failure.

To show a clear, concise picture of insurance as it affects management today, Transamerica Insurance Company has presented a booklet of editorial messages covering many aspects of "How Insurance Affects Your Profit." This is a reprint from those articles. Copies of entire booklet available on request.

way in this. They will grant a lower rate when the risk has been improved. In some lines still further reductions may be available on the demonstration that a given risk produces losses below the level on which the rates are predicated. This is achieved by retrospective rating, by which the charges for the risk may be scaled up or down at the end of the policy, depending on the losses that were experienced.

Further savings may result from the way the coverage is written. In recent years it has been fashionable to offer insurance packages in which coverage against several perils is afforded by a single policy. Through the reduced cost of merchandising, the various items can be sold at 15% to 20% below what it would cost to buy them separately. But like all package deals, the weakness may be that the buyer has to purchase some things he does not need. To the extent that he could get along without that part of the package, its cost must be deducted from the saving that is achieved.

A diametrically opposite approach consists of splitting the risks up into relatively small parts and securing the best coverage at the most favorable rates on each part. Here, instead of trying to get all the insurance in a single package, the effort is to secure several layers of liability. One policy may provide the basic limits. Another may be used for coverage between the basic limits and \$1 million. Still another may afford protection against liabilities of between \$1 million and \$5 million. Many large corporations use this approach. Of course, it is a matter of circumstances and judgment as to which approach is best for a given risk.

Yet another fact must be kept in mind. The insurance company is prepared to reimburse the insured for any insured loss. At the same time it reserves the right to recover that amount from any third party who may have caused the loss. This is called the right of subrogation. Many insurance company executives do not like this arrangement. Still since it exists, they would not be fair to their own stockholders if they didn't use it on occasions. From the standpoint of the insured it can produce all sorts of costly and sticky situations. Avoidance of these is one thing the Insurance Manager will try to keep in mind. He may seek to do this by placing all his coverage with a single carrier. Some even go so far as to insist on placing the insurance of all the contractors who work for them. No company is going to subrogate against itself and if all the coverage is in the name of the same insured, there is no one against whom subrogation can be brought.

All of these considerations are to be kept in mind in procuring insurance for a business firm. It is here that money is saved or wasted and that the profits of the company itself are augmented or diminished.

We will be happy to answer your questions on any phase of business protection through insurance, and its possible effect on profit. Please ask your independent agent or broker, or write to Mr. Edmund W. Clarke, President.

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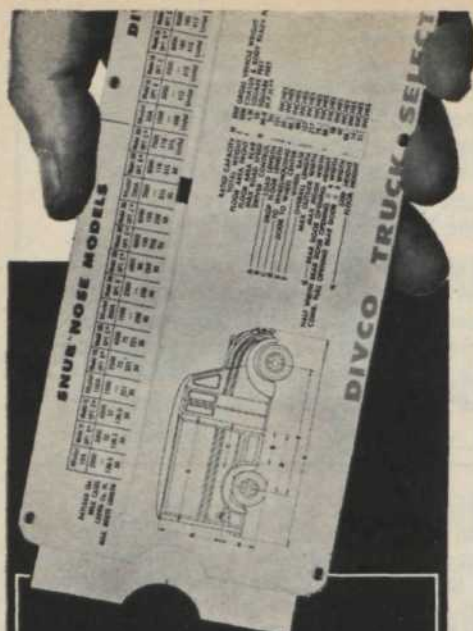


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# Executive Trends

- Test your company's soundness
- How incentives will change
- Creativity vs. memory

Your company's ability to deal with problems is a good measure of its over-all strength.

Dr. Nathaniel Stewart, consultant and writer on management, says the test of a healthy organization lies in how well it responds to problems as they arise.

Here are five test questions he uses:

Does your company have the ability to identify a problem before it grows in seriousness and begins to hurt?

Does your company bounce back quickly after being adversely affected by a problem?

Does your firm face up to problems, rather than sweeping them under the rug?

Does your company forthrightly fix blame on those managers or employees responsible for creating problems?

Does your company—once it has identified trouble spots—dig to the roots of them to prevent their recurrence?

If you can answer in the affirmative to all or most of these questions, Dr. Stewart says, it's a good bet that your organization is fundamentally sound.

A leading student of management—Dr. Rensis Likert of the University of Michigan—expects the future to bring renewed emphasis on sophisticated knowledge of human motivation.

Dr. Likert is director of Michigan's Institute for Social Research. His studies show that high-performing executives are especially adept at tapping noneconomic motivations

of their employees. This skill, he explains, implies a subtle grasp of human behavior and stands in contrast with motivation based solely on money.

"Actually," Dr. Likert says, "non-economic motives should be used in ways that reinforce economic ones. Hence, salary incentives should be paired with a climate of opportunity in which the employee feels he has a voice in setting goals for his work unit, that he has an influence in decisions affecting him—in short, an atmosphere in which he knows he is making an important contribution."

Successful companies of the next decade, Dr. Likert believes, will be those in which individuals clearly feel that they are part of a team effort.

He predicts more, not less, emphasis on group problem-solving, and holds that organizations will have to train managers in the skillful use of group methods. This is necessary, he says, to prevent time wasted in fruitless meetings as well as to assure that all employees derive a sense of personal worth from their work.

"The need for protecting individual identity will be accentuated as companies grow in size and complexity," Dr. Likert says.

**Don't envy the man in your company who has a prodigious memory.**

Chances are he is a poor creative thinker.

An expert on memory, Dr. James E. Birren, says research indicates that there is a correlation between a mind crammed full of details





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## EXECUTIVE TRENDS

*continued*

about the past, and the lack of here-and-now creativity.

"To keep your mind up-to-date, you have to have some decay of your older memories," he says. "In other words, to be flexible and creative the mind needs new inputs of knowledge to displace old ones."

Dr. Birren is director of the Aging Program, National Institute of Child Health and Human Development.

• • •

**Low corporate visibility**—that's term U. S. managers abroad use to describe a policy of not trying to make yourself conspicuous on the local scene. It's a kind of nonpublic relations, calculated to insure good will among foreign governments and nationals who wince when they feel foreign companies are becoming too numerous in their economy and too vocal.

• • •

**A good way to learn** is by questioning experts within your own company.

Dean Richard M. Cyert of Carnegie Tech's Graduate School of Industrial Administration offers this suggestion, says that too often it's not followed by managers. Why not? Because many executives tend to be intimidated by experts.

"It is extremely important," he continues, "that the manager be on top of the expert because the manager is taking a broad view of the firm. If the manager can keep the expert as an information source rather than as a decision-maker, he can both educate himself and do a better job of managing."

• • •

**How many times** does a worker have to be retrained during his career?

The rate varies by industry, but the impact of more rapid technological progress is causing many companies to accelerate their training efforts.

A spokesman for one major automobile manufacturing concern says his firm finds it has to retrain its average plant employee six times every ten years.

• • •

**Reins on inventories** are being drawn tighter by many firms.

A recent survey by the National Industrial Conference Board shows that programs to improve inventory  
(continued on page 21)





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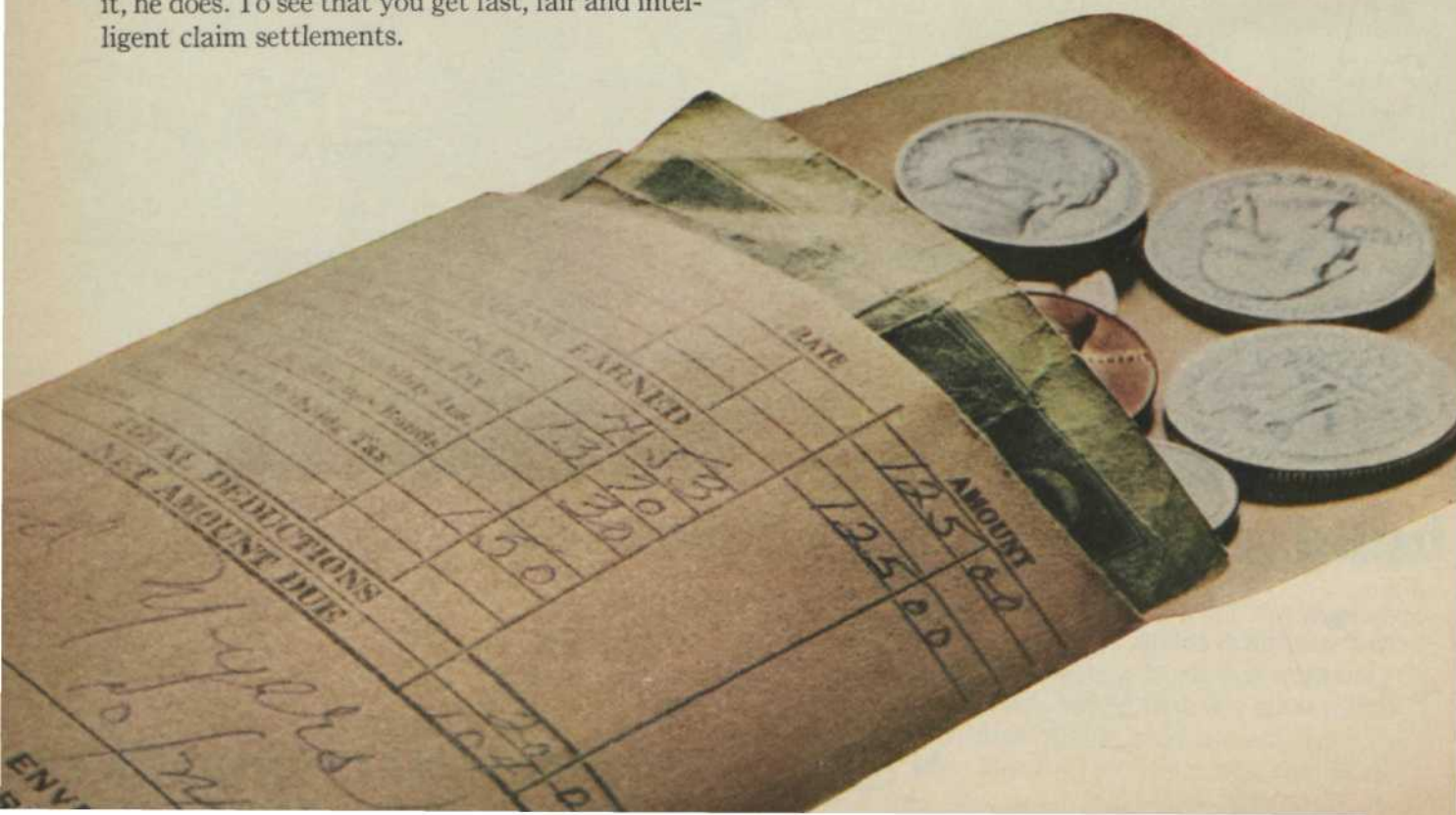
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## EXECUTIVE TRENDS

*continued*

management have been receiving increasing attention from top management in the past five years. The trend is likely to continue.

The survey covering 184 manufacturing concerns indicates that the major aim of companies has been to hold inventory investment at a minimum and still maintain good customer service and efficient production.

Computers are being used by 117 of the 184 firms to improve inventory controls.

Item: Tighter controls have not harmed relations with customers and have bettered them in many instances, according to the survey.

• • •

**Business concern** over costs is likely to intensify for at least another decade.

That's the opinion of Richard S. White, president of Automation Engineering Laboratory, Inc., of Stamford, Conn.

Mr. White says: "Corporate success in the future will depend to an increasing degree on executive ability to maintain competitive costs as the demands of labor continue to mount, and as lowering of international trade barriers widens the impact of foreign production facilities."

Mr. White predicts that the concept of buying capital equipment will change radically for many U. S. firms.

"No more will it be a matter of buying a given machine to do the job," he asserts. "Rather, the board of directors will be faced with the responsibility for pledging major sums in risk-taking adaptation engineering—to develop manufacturing systems designed especially for the company's own products."

Mr. White feels the future will show that the new technology can't be applied *carte blanche*—bought off the shelf, as it were. He adds: "Differences in product, in product mix, in volume, and in markets will combine with higher degrees of technology available to dictate the design of special equipment that the company will have to make, or have made, solely for its own use."

Mr. White believes significant future investment in automated equipment may cause a greater trend toward decentralization, fewer and larger plants, especially in the consumer products sector.

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# Critics sharpen President's foreign policy dilemma

BY PETER LISAGOR

WHEN HE SUCCEEDED to the White House, Lyndon Johnson hoped to concentrate largely on domestic matters, with which he felt more at ease by temperament and experience. The knotty, recurring questions of overseas policy would be left to Secretary of State Dean Rusk until the new President could get himself organized.

As vice president, Lyndon Johnson must have known how deeply immersed in foreign policy was John F. Kennedy (one State Department official estimated, for example, that JFK had spent more than 100 hours, off and on, on the flea-bitten kingdom of Yemen, a benighted patch of Middle Eastern sand caught between the rival ambitions of the United Arab Republic and Saudi Arabia; it is doubtful that very many Americans, even those reasonably well informed, had any idea what the Yemen problem was all about or that it could upset the always precarious balance in that region of the world).

Yet, as much as the new President might have liked a moratorium on trouble, events began to wash in on him almost immediately. Within a matter of weeks, he was confronted with decisions on Malaysia, Cyprus, Zanzibar, Panama, Guantanamo, and that most serious and politically explosive situation, the shooting war in South Vietnam.

He dispatched Attorney General Robert F. Kennedy to the Orient to dampen down Indonesia's threats to Malaysia. Undersecretary of State George Ball flew to Turkey and Greece and Cyprus and London in an effort to mediate the Greek-Turkish dispute that threatened war on the Eastern flank of NATO. Latin American expert Thomas Mann led an urgent mission to Panama, a diplomatic team scurried to see if there was anything salvageable in communist-oriented Zanzibar, and Defense Secretary Robert McNamara and aides made another of those endless surveys of South Vietnam, this time seeking to prop up the latest coup-installed regime in Saigon.

*Peter Lisagor is White House correspondent for the Chicago Daily News.*

The traffic in and out of Washington was so intense that somebody wrote that the President was practicing airplane diplomacy. The White House bristled. And then, when Republican critics zeroed in on Mr. Johnson's conduct of foreign policy, charging among other things that he was too busy with budget legerdemain to pay the proper attention to the course of events abroad, the White House put into the hands of favored correspondents a rundown on the number of hours the President had devoted to foreign policy, including his meetings and telephone conversations with Messrs. Rusk, McNamara, Special Assistant McGeorge Bundy and others. Like most figures prepared by advocates in the government, they were impressive, even though they were unable to measure



*Former Kennedy advisers McGeorge Bundy, Under Secretary of State George Ball and Secretary Rusk now give President Johnson foreign policy guidance*

the depth of understanding or the degree of wisdom applied to the problems under scrutiny.

In time, the President worked out a rhythm of formal involvement in foreign policy. At least once a week, he has a working lunch with Messrs. Rusk, McNamara and Bundy at which the principals range over the world problems, tagging those that require immediate decision and those that demand constant alertness. He also gets his daily intelligence briefing



from Mr. Bundy or some other aide. But he has not solved the dilemma that Presidents face in an election year—that of trying to keep the lid on crises while showing enough motion to prove he is not fearful, intimidated or paralyzed.

It is an axiom of politics that the boat must not be rocked in a presidential year, if at all possible. Analyses of American policy that appear in the foreign press invariably suggest a certain immobility in Washington during the quadrennial exercise.

This is an old-fashioned notion, and it is perhaps fitting that the time-worn President of France, Gen. Charles de Gaulle, clings to it as gospel. The venerable de Gaulle had been expected to visit Washington before President Kennedy was assassinated. When Mr. Johnson took over, he was anxious that the de Gaulle visit go forward, but the French leader balked, on the alleged grounds that the new American leadership had no mandate and it would therefore be preferable to wait until after the November elections.

The world is in too much ferment to stay the tides of history. Not only is it impossible for the President to control or order events. All too often he is a prisoner of them. President Eisenhower discovered on the eve of the 1956 election that even the most reliable allies have no regard for the imperatives of an American political campaign; Britain and France moved against Egypt in Suez because they believed that their national interests were at stake. The peace issue is prized by the party in power next only to the prosperity issue, and if a less popular and heroic figure than Mr. Eisenhower had been running for reelection, the Suez crisis might have been a disastrous factor in his bid for a second term.



Mr. Johnson's dilemma is sharpened by the fact that many Republican leaders, especially the candidates for the presidential nomination, appear to believe with some passion that he is vulnerable in the realm of foreign policy. They have been critical of his handling of the Panama dispute and have wondered aloud whither U. S. policy in South Vietnam. Anywhere and anytime American fighting men suffer casualties on foreign soil, a ready-made political issue exists, except perhaps in a time of general war when the nation rallies as one behind its leader. Because the President has plunged into domestic issues with such zest and publicity, his foreign-policy critics have felt that he must be neglecting the far more complicated and volatile issues abroad.

This assumption flows directly from the belief that a major part of any President's working hours nowadays surely has to be concentrated on global issues. Mr. Johnson himself recently estimated that he spends about three quarters of his time on foreign affairs. His critics refuse to believe that proportion, asserting that no man as much in motion or as seemingly busy with domestic claimants on his time and attention as Lyndon Johnson can possibly have that much of his day staked out for foreign policy mat-

ters. One frequently hears such remarks as, "Why, they say he makes 100 telephone calls a day; he can't be talking to Khrushchev or de Gaulle all that time." Critics tend to accept all local exaggerations, of course.

At any rate, they have imposed upon Mr. Johnson the necessity to demonstrate that he is not a defender of the status quo, that the shop is open to foreign customers (and they have come in an endless stream) and that he is not prevented from taking some new initiatives, so long as they fall between the Scylla and Charybdis of appeasement and warmongering.

The unilateral decision to cut back in the production of uranium and plutonium for nuclear weapons, an action the Soviets agreed to undertake simultaneously, is an example of how LBJ hopes to maintain the image of the peace-seeker without risking the charge that he is bent upon dismantling the nation's defenses. Hovering between the hawks and the doves is a difficult flight pattern, but the President believes he can do it as an answer to those who claim he lacks the understanding, the interest and the skill to promote America's purposes in the world.

If he has no mandate, as Gen. de Gaulle believes, it also is true that nobody has voted against him yet, a fact that allows him elbow room in his conduct of foreign policy. He can act within limits, even though this is a presidential year, but he is unlikely to break new ground or to cause tremors with thrusting actions. It must be remembered that Mr. Johnson embraced the policies of the Kennedy Administration with whole-hearted enthusiasm, asserting from the outset that he was privy to their formulation and approved their execution. Those who opposed Mr. Kennedy's efforts to combine a policy of balanced strength with a policy of seeking accommodation with the Soviets must also oppose Mr. Johnson's approach. The same team of top advisers is at work, the same set of objectives and goals prevails.



Mr. Johnson tries to engage congressional leaders in the process more than Mr. Kennedy would have thought necessary or desirable, perhaps. For the first time in history, the President has invited legislative leaders to meetings of the National Security Council for special briefings on world trouble spots. And once, early in his tenure, he tried to obtain a consensus from Senate leaders on what course should be followed in Panama. The legislators could reach no common judgment, and the President wisely abandoned the practice, for Congress cannot, and should not, share in Executive decision-making if the separation of powers doctrine is to remain intact.

Election year or not, the President cannot predict, or often anticipate, the course of external events. He cannot go underground during the campaign. He cannot announce to the world, "Look, we've got a political campaign on. We're preoccupied with our internal affairs, and would be most pleased if friends, enemies and neutrals would lay off until after the November voting." Much as he would like to see smooth sailing ahead, he cannot escape the reality of storms, sudden and menacing. And the responsibility for decision and action is unmistakably his.

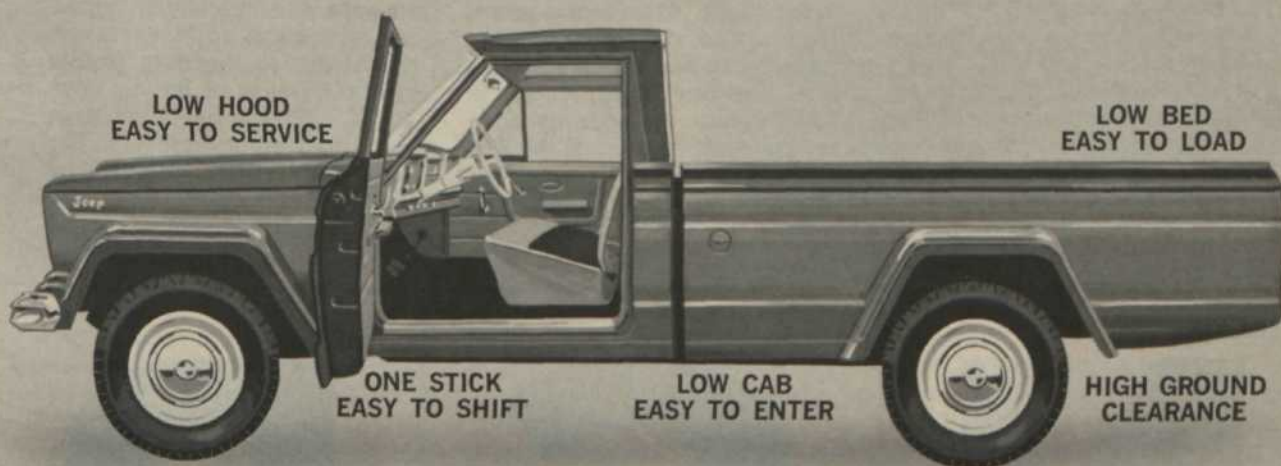


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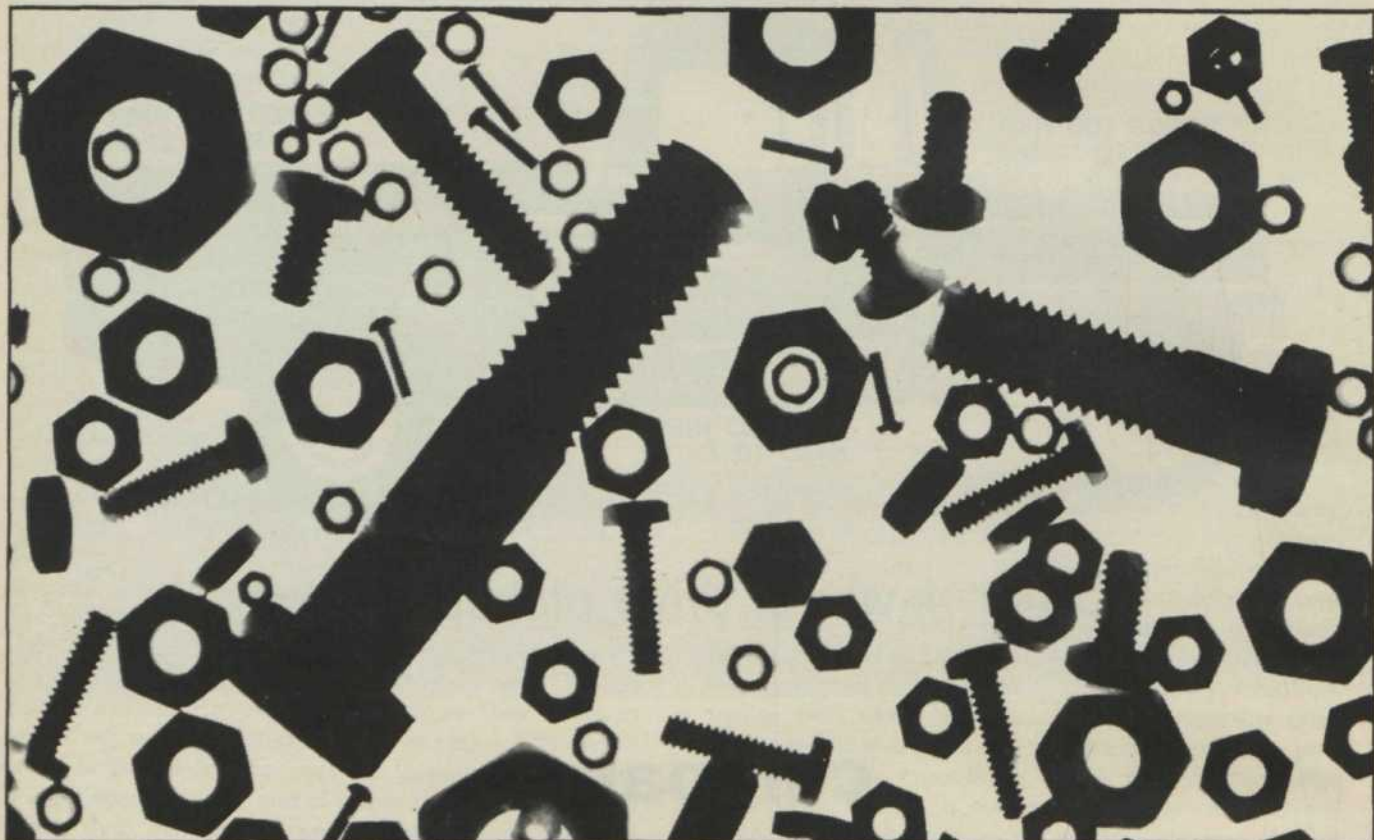


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## Splits within parties produce more moderate candidates

BY FELIX MORLEY

WITH THE LAST of the scheduled primaries, on June 2, comes the first turning point in the triangular marathon of our presidential election. It is always a gruelling race; in the stretch now completed, in that which ends with the nominating conventions, and for the two survivors in the final long straightaway to the polling booths. But this year it seems more rugged for the contenders than ever before.

That is because of the internal dissensions which the primaries have revealed, and to some extent generated, within both parties. Of course, prior to the nominating conventions, these internecine struggles have always been present to some extent. Inevitably the voting in primary elections emphasizes cleavages within a party. Once the candidate is named, however, it has been customary for the unsuccessful to accept the outcome with good grace and for their followers to close ranks and present a united front.

This year the primary elections, in many of the 17 States where they have been held, have been fought with unusual energy, enthusiasm and to some extent bitterness. Thus they have demonstrated differences of opinion, within both parties, so pronounced as to be scarcely reconcilable by November 3. This means that the independent, still undecided, voter will this year be a factor of great significance for the eventual outcome. Therefore the eventual candidates will have to appeal to him, in moderate rather than strongly opinionated terms.

The strength of internal dissension, in both parties, also strongly suggests that the character of American politics is affected by currents of change. If so, it is certainly desirable to examine the nature of those currents. This is difficult, in an election year, simply because the inevitable emphasis on personalities runs counter to objective consideration of the factors which underlie all political alignments.

But speculation on the course of our politics is quite as important as, and indeed inseparable from, speculation on future economic conditions. Businessmen are necessarily concerned with objective economic understanding, divorced from wishful thinking.

For those who are natural leaders in their communities, unemotional political consideration is equally essential.

One point that stands out clearly is that our politics tends to resist the general centralizing trend. Political thinking continues to conform to State lines, in spite of the continuous effort of governmental agencies to make them unimportant.

In the old days nobody expected the Democratic party in Louisiana to have the same principles as the Democratic party in Michigan. Nobody expected



*After the convention, the successful candidate can ill afford to disregard the pressure to compromise*

Republicans in Wisconsin to accept the philosophy of those in Pennsylvania. Politics was recognized as having a State and not a national basis. Of course it was necessary for the President to harmonize the factions that had combined to elect him. But there was seldom need for him to be forceful in so doing, since few Administration policies demanded nationwide conformity.

Today there is scarcely a program, from the provision of school lunches to the clearance of slum areas, in which control is not at least semination-ized. Consequently, in problems which once were deemed wholly local, it has become vital for the



## TRENDS: STATE OF THE NATION

President to have a unified party behind him. It is not enough to have a majority of congressmen calling themselves Democrats, if that is the President's denomination. They must be his sort of Democrats—or his sort of Republicans if that is the label of the Chief Executive.

Our presidential elections, however, have not been nationalized. The electoral vote of each State, which is all that really counts, is customarily cast in a solid bloc, even though the popular division may be virtually 50-50. Consequently the candidate, once chosen, is under strong pressure to tailor his policies to the interests and prejudices of those States with significant electoral votes. He can disregard compromise only at his peril.

In many States the standardizing pressures from Washington have, in one way or another, exacerbated local opinion. This has made the task of the presidential aspirant, regardless of party, much more difficult. To the always severe physical strain has now been added the necessity of taking a firm position without alienating too many localities. In walking this political tightrope television is more of a handicap than a help. While the image of the candidate is readily projected across State lines, his simultaneous message cannot be adjusted to the differing reactions of the unseen audience.

The result of these pressures is to bring the positions of the eventual candidates closer together, after the primaries have been completed. In these preliminary contests and right up to the nominations it may seem that intraparty cleavages are at least as vital as those between the parties. But the more this is the case, the more essential it will be for the selected candidate to placate those who have been opposing him. Indeed, unless the aspirant has the will and skill to accomplish this he is unlikely to be his party's nominee. Those who make politics their business know too well that there is no profit in a standard-bearer who cannot convert dissenters into adherents.

For reasons given, this straddling, in the closing stage of the campaign, is likely to be at least as pronounced this year as ever before. And since even necessary compromise, in matters of principle, is inherently distasteful, the situation promotes the effort to classify aspirants as either conservative or liberal. In this way, it is argued, vital issues can be made more clear-cut and definitive for the voters. But it will be very difficult to realign our system on that basis so long as it keeps its federal structure.

In the first place this tradition cuts across historic party lines, tending to confuse rather than clarify political thinking. Liberals are loosely classified as those who look favorably on an ever increasing centralization of function and power, regardless of its effect on the national budget. Conservatives are said to be those who resist this trend, seeking to maintain a measure of State sovereignty, and thereby curtail federal spending. But the voting records show that

both groups are well represented in the congressional membership of both the established parties.

Moreover, many who call themselves conservative conform only partially to the distinction made. Publications of the self-styled Right, for instance, are usually strong supporters of unlimited defense spending. While this is a reasoned position, its economic effect is no different from that of the lavish spending for humanitarian purposes which is urged by journals of the Left.

Similarly the conservative defense of the free market, as opposed to the governmental interventions favored by many liberals, is by no means always clear-cut. Rightist spokesmen habitually support governmental controls of commerce for strategic reasons. Their support of unregulated competition is often as qualified, though for different reasons, as that of the self-styled liberals.

It is, one must admit, difficult to argue effectively for unlimited governmental power in fields where you think it should be exercised, while simultaneously demanding limitation of that power in fields where others, presumably equally patriotic, believe that it can be constructively applied. That dilemma is one reason why the attempted conservative vs. liberal alignment does not seem really to have taken hold.

But there is another, probably more fundamental, reason. It is found in the general recognition that our elastic two-party system, based on the importance of local self-government and therefore not too closely linked to ideological concepts, has served the country well. Its present extension in the deep South, and the failure of the effort to stop the trend in Mississippi, suggests that this tested system will endure.

We are fortunate in the stability of our political institutions, the more so because this is something of which very few other countries can boast. And that stability, with the progress it promotes, depends fundamentally on a fluctuating balance between two strong and mutually critical parties in every State.

Indeed the differences within the same political party, in different States, is one of the best reasons for concluding that our federal system of divided powers, of check and balance, is not yet succumbing to the socialistic trend. It would be a dangerous symptom of authoritarianism if a time should come when voters registered as either Republican or Democrat should meekly submit to the orders of a hierarchy of political shepherds.

Admittedly the undisciplined nature of our political system makes the task of aspirants for elective office difficult, from the presidency down. But by the same token it means that those who win have usually had to acquire a sense of responsibility to all the people, a feeling of humility and an ability to cooperate with those whose ideas are different. Those are the characteristics of leadership, as distinct from dictatorship.

Our cumbersome political system is criticized—and envied—throughout the world. It does not and cannot guarantee that the best man will win. And yet, thanks in part to the slow and protracted winnowing process, he often does.





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# More jobs coming twice as fast

New kinds of occupations are being created, others expected within constantly rising total of workers

THE AMERICAN ECONOMY is expected to double the rate at which it creates new jobs in the next few years.

The Labor Department officially forecasts that 80.5 million people will be employed in 1970, a net gain of 11 million over 1963. This 11 million increase is the same number of jobs added over the entire 16-year period of 1947-63.

Just how the new jobs will be generated is the center of policy dispute. Will they be created through government or private spending?

"As far as I'm concerned," says Labor Secretary W. Willard Wirtz, "full employment is never going to come from any set of government programs. It is going to come from the development of strength as far as the private sector of the economy is concerned."

On the other hand, a Senate Labor Subcommittee headed by Sen. Joseph S. Clark of Pennsylvania recommends an increase of federal outlays by \$5 billion a year, public spending of any savings realized

from defense cuts, expanded area redevelopment, a permanent accelerated public works program and a wide range of other federal programs.

Before looking at the future, it is useful to examine how jobs have been created in recent years.

Take 1947 through 1963. Total employment rose from 57.8 million to 68.8 million.

Even this increase fails to reflect the fact that countless other jobs were created or eliminated within the expanding total. Blue-collar employment, for example, has remained steady at around 25 million while white-collar employment, especially in professional, technical and related positions, rose by some 10 million. An increase in service workers roughly balanced a 3.3 million decline in farm employment.

To slice it another way, the Labor Department says that between 1947 and 1963, manufacturing jobs went up from 15 million to 17 million; transportation declined slightly to just over four million; contract construction went up from two to

three million, and mining made a shallow decline to one million.

In trade, jobs soared from nine to 12 million; state and local government employees went up from just over 3.5 million to over seven million; finance, insurance and real estate jobs, up from just under two million to just under three million; federal government, up from two to nearly 2.5 million, and a service and miscellaneous category, up from five to more than eight million.

Such major shifts in employment patterns, especially in recent years, have given rise to estimates that technological change is eliminating jobs at rates ranging all the way from 4,000 to 40,000 a week.

Seymour L. Wolfbein, director of the Labor Department's Office of Manpower, Automation and Training, says the best guess is that some two million jobs a year are affected by change—eliminated or involved in a new combination of men and machines.

People who keep track of such things are hard put to categorize what would be called new jobs. Of





CUPP-BLACK STAR

*Operator adjusts yarn texturing machine at factory of Madison Throwing Co., Madison, N. C.*

course, they can plot trends in banks, insurance companies and other commercial establishments toward increasing use of programmers, computer operators, data typists and tape librarians in place of bookkeepers and clerks.

Obviously new jobs also include a nuclear engineer, health physicist, rocket engine mechanic (liquid or solid).

What a worker does on a job changes with development of new technological specialties both for the scientists and engineers and the technicians who help them.

Many of these jobs require technical knowledge as well as manual skills and dexterity.

Examples of jobs illustrating this trend are:

Nuclear medical technologist, who prepares, administers and measures radioisotopes in therapeutic, diagnostic and tracer studies using a variety of instruments.

Transfer machine operator, who tends systems consisting of a series of machines connected by mechanisms that automatically transfer, position and secure such items as castings and forgings at each production station and perform operations including drilling, boring, tapping and milling.

Yarn texturing machine operator, who tends a machine that crimps certain synthetic yarns to

increase their bulk, add elasticity and improve texture or feel.

Mechanical test technician, whose work might consist of building a test structure such as a monorail according to rigid specifications for testing of aircraft arresting gear.

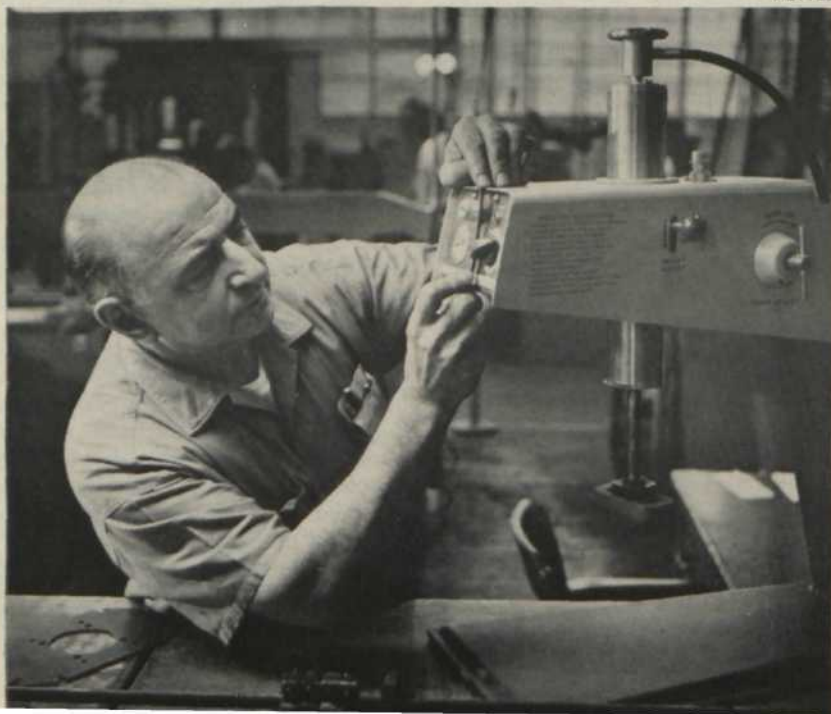
Medical apparatus model maker, who builds and adjusts models of electronically operated medical equipment such as heart stimulators.

Yet there are countertrends against specialization. As Carl A. Heinz of the U. S. Employment Service points out:

"There is some indication that the lines between various types of engineering occupations may be getting less clear and that some employers may prefer to hire graduates who have a general engineering education and give them their specific training on the job." At the production level, reports indicate a trend toward all-around use of workers interchangeably at all stations in an assembly line.

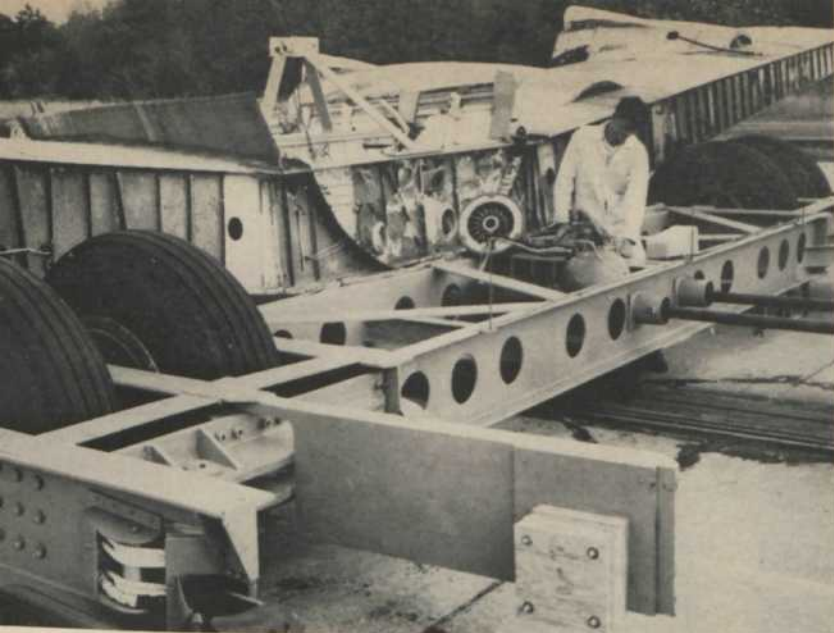
Over-all, the biggest changes in jobs involve introduction of new machines which the former operator now observes and controls with sensing devices.

Here's where the question arises: Do these technological shifts result in large-scale lay-offs, and do they demand levels of skill beyond the capacity of workers previously employed?



*Medical apparatus model maker assembles heart stimulator at Westinghouse Corporation plant*





LOCKWOOD-BLACK STAR

*Technician installs instrument pack for aircraft wing test in Delaware by All American Engineering Co.*

Mr. Heinz reports that studies for the government's latest dictionary of occupational titles showed that some new jobs require less skill, some more.

"In general, however, the reports . . . indicate that most incumbents can be retrained easily in a short time for the new jobs," he observes.

"The job study reports show that while employment may decrease at first when equipment is installed," he adds, "there frequently is a later increase in employment due to increased demand and production."

Such job-changing developments, Mr. Wolfbein notes, may have the prime effect of improving output, developing new products or holding down prices, rather than eliminating jobs.

John Diebold, president of the Diebold Group, Inc., notes that the causes of unemployment include foreign competition, relocation of industry, shifts in market demand and other changes in the economy, rather than technological change.

A study of productivity increase in four industries by the Diebold organization shows, for example, that the fabricated metals industry more than doubled productivity from 1947-61 while increasing employment 24 per cent. Between 1947 and 1961 productivity climbed 141 per cent in electrical machinery, 202 per cent in instruments, and 191 per cent in chemicals, with corresponding employment increases of 40, 33 and 28 per cent, respectively.

Labor Department experts agree that private innovation, initiative and investment accounted for 76

per cent of all new nonfarm jobs created between 1947 and 1957, but claim the picture in succeeding years has been almost the reverse. [See "How Investment Creates Jobs," April 1963.]

The President's manpower report this year claims that the private economy generated only 300,000 full-time jobs of the 4.3 million added in the six-year period from 1957 to 1963.

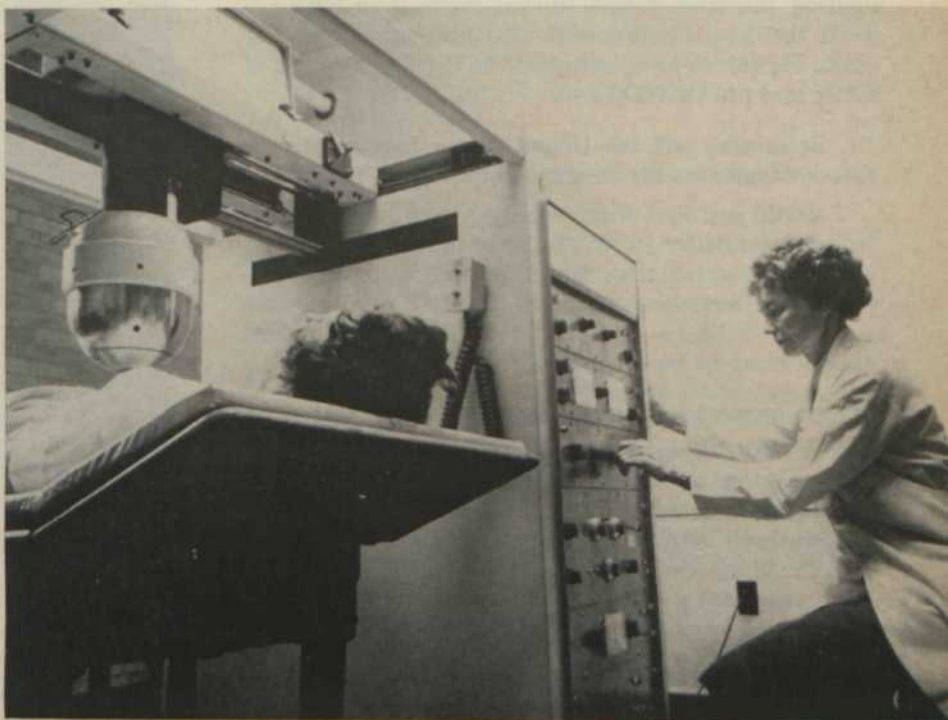
Of the new jobs, two million are said to have resulted from increased federal, state and local employment. This reflects a policy decision on how the nation is to spend its resources, says one government economist, and demands no apology from business which helps bear the cost.

One set of figures in the report, however, is questioned. They in-

*(continued on page 50)*

*Nuclear medical test technician in Massachusetts hospital operates Baird-Atomic diagnostic device*

MASSAR-BLACK STAR





# WHAT COMMUNIST

## Free world will be confronted by new kind of challenge, says authority on Red movement

THE UNITED STATES will face a new kind of challenge as the once-unified communist bloc breaks up into more and more dissident fragments.

That is the prediction of Dr. Zbigniew Brzezinski, director of Columbia University's Research Institute on Communist Affairs, in this interview with editors of NATION'S BUSINESS.

As people throughout the world ponder the future meaning of the widening split between Russia and Red China, Dr. Brzezinski assesses it as an event of overwhelming significance. He describes how the breakup of the communist movement will produce far-reaching changes in the cold war.

Dr. Brzezinski, a professor of government, is a noted authority on the world communist movement. Born in Poland, he came to this country in 1938. During the past decade he has made nine trips behind the Iron Curtain and also has toured the Far East. He serves as a consultant to the Department of State and the RAND Corp.

**Dr. Brzezinski, will the United States face greater or lesser dangers as the communist movement breaks up?**

I would say that there will be a new kind of challenge, a challenge in which the opportunities for revolutionary action may be increased. But these revolutionary activities will lack the full support, particularly military, of a unified bloc. This unified communism no longer exists.

**Will we face more brushfire wars?**

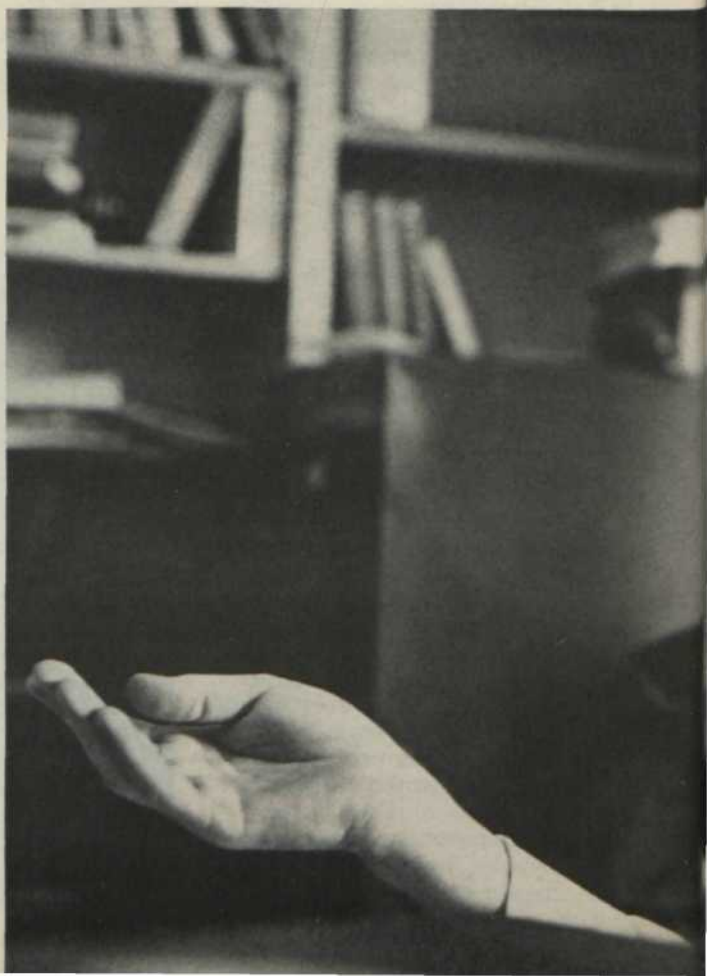
Yes. But these wars are not necessarily all the consequences of communism in itself. Many are the consequence of real internal problems—for instance, in Southern Africa, the conflict between the white and the black. Some of the conflicts in Latin America

are the result of social grievances. All of these are exploited by communists, but they are not always the products of communism.

**Will the possibility of a brushfire war growing into all-out war diminish?**

No. I think it will heighten, because there will be more uncontrollable factors on the international scene.

As long as we were dealing with a reasonably homogeneous bloc, even though it posed an enormous military challenge to us, we were still dealing with a bloc which maintained a measure of internal control. So that if we maintained superior strength to it, we could have a reasonable expectation that its leader-



*Prof. Zbigniew Brzezinski of Columbia University tells in this interview where communism is headed*



# BREAKUP MEANS TO US

ship would act rationally. If we are going to be dealing with a variety of satellites pursuing divergent policies, the international scene will become more unstable, especially after Red China acquires nuclear weapons and perhaps shares them with its allies.

**Is there any reasonable chance that the Soviets might undertake a major onslaught against the West?**

No, not in a direct sense.

I frankly don't think the Soviets are either in a position to do so militarily, or are really seriously thinking about it. The Berlin business earlier was an operation combining military with political pressure, to test whether we would be pushed out by this combination. Once we threatened nuclear war over

Cuba, the Soviets quickly dropped the whole issue.

In fact, since the early 1950's we have largely overestimated Soviet military strength. The Soviets have no capacity to wage an offensive war in Central Europe, and it's amazing how much they have been able to bluff us.

Secondly, to the extent that the Soviet Union internally is now somewhat more concerned with public opinion and certainly much more concerned than ever before with the attitudes of the East European states, we can reasonably count on considerable opposition from these two sources to any Soviet offensive in Europe.

The Soviet people do not want war nor does their government. Khrushchev speaks for the interests of the ruling elite and generally for the attitude of the masses on this issue.

But to maintain its power, the ruling elite feels compelled to demonstrate that communism is expanding, and this is the source of much of the world's tension.

**Will the pressures against war intensify in, say, the next 10 or 20 years?**

I think the influence of these pressures will be greater. For the foreseeable future, I don't see much opportunity for the Soviet leadership to go whole hog. They might put pressure on us again in trying to push us out of Berlin, but this would be military-political pressure.

**How about war between the United States and Red China?**

We haven't yet taught the Chinese the lesson that Russia learned in Cuba. Conceivably there might be a threat of some brushfire fighting spreading into war with China.

My guess is that the Soviets wouldn't mind the United States giving the Chinese a bloody nose, but I do think they would mind if we completely overthrew Mao Tse-tung's regime, because that would mean a fundamental shift in power.

A bloody nose would prove to the Chinese, No. 1, that America is not a paper tiger; No. 2, if you push too hard there is a danger of war; No. 3, if there is such a danger of war and it develops, the imperialists may use it for their own end and not in every case are the communists (continued on page 104)

GUY GILLETTE





# UNIONS MAKE THESE NEW DEMANDS

## Welfare costs would rise faster in future

LIBERALIZATION and extension of employee benefit plans now loom more important than pay in the aims and hopes of an increasing number of workers and union leaders.

Both the intensity of union pressures and the types of benefits demanded will vary, however, according to the circumstances.

Uniform patterns in fringe benefits are becoming less common, as they have long ago with regard to hourly pay. With most employees now covered for most basic risks and needs, the emphasis has shifted from the introduction of new benefits to improving, changing and adapting existing benefits to meet particular needs and desires.

Fringe benefits has become a false label for these pay supplements because their cost is expected to reach an average 25 per cent of payroll and continue upward.

The major thrust now is for earlier and phased retirement, more leisure time, more protection against unemployment, more health and life insurance for both worker and dependents and more income guarantees.

This is evident from examination of developments and trends and interviews with union officials, employers, consultants, economists and others with expert opinions.

What the United Automobile Workers are demanding from the Big Three in the automobile industry in this summer's bargaining re-

flects the trend. In addition to higher pay, the union wants a package of fringe benefits which union President Walter P. Reuther says will nail down what amounts to the guaranteed annual wage. This is the goal organized labor set its eyes on at the end of the war.

"When we got the short work-week benefit (in 1961) I said we were only a couple of inches away from a full annual wage," Mr. Reuther recalls.

"We are close enough now that in 1964 this union ought to lead a great historic march of wage earners and say to these companies that we are going to abolish getting paid by the hour. We want an annual salary."

Union emphasis on more leisure is underscored by Mr. Reuther's top braintruster, Jack Conway, who is executive director of the AFL-CIO's Industrial Union Department, which Mr. Reuther also heads.

"The time has come to reconsider our fundamental attitudes toward work and leisure," Mr. Conway says.

"The Puritan work ethic is outmoded. No longer can we view work as the end-all of our lives. Leisure is far more desirable than unemployment. Fewer hours of work is part of labor's answer to the jobless problem.

"We are of the view that record capital outlays have made higher wages, the shorter workweek, earlier

### VACATIONS

### COFFEE BREAKS (OTHER REST PERIODS)

### HOLIDAYS

### SICK LEAVE

### OTHER—(JURY DUTY, MILITARY DUTY, VOTING TIME, ETC.)



## WHAT WORKERS ARE PAID FOR NOT WORKING

**\$13 BILLION**

**\$12 BILLION**

**\$8 BILLION**

**\$3 BILLION**

**\$0.5 BILLION**

**ESTIMATED  
FOR 1964**

retirement and longer vacations more necessary than ever."

The Industrial Union Department policies have significance to a wide area of business because the department speaks for 59 industrial unions with more than six million members. Nat Goldfinger, AFL-CIO research director, calls attention to organized labor's dual drive toward the new objectives.

"If they don't get them at the bargaining table, they will seek them through legislation, and vice versa," he says.

Dean George P. Shultz of the University of Chicago's Graduate School of Business calls organized labor's goals more compensated leisure and more protection against unemployment and health hazards.

He finds that three approaches are being used for attempting to minimize layoffs or their effects:

Indemnification, in which the employer buys out the worker through severance payments, income guarantees or early retirement.

Manpower planning, in which lay-offs are reduced through retirements, attrition, transfers to other plants of the same company and retraining for new jobs.

Gain-sharing, in which the employee preserves his employment opportunity by making the company more efficient and thus more competitive.

Arnold Weber, professor of industrial relations under Dean Shultz, says the current union emphasis is on phased or early retirement. This includes longer vacations of up to three months based on age, and retirement at 60 with full pension in special situations. But he also sees considerable evidence that workers still prefer more money to more leisure.

He cites the experience in some basic steel companies where a 13-week sabbatical with pay went into effect for senior, hourly employees this year under contracts with the United Steelworkers. Some of the companies have offered eli-

*(continued on page 64)*



# GOVERNMENT KEEPS FOOD PRICES HIGH

As America fights poverty, Uncle Sam raises the cost of daily living

YOU'LL BE HEARING a lot this election year about new government campaigns to help consumers, eliminate poverty and prevent inflation.

Yet:

► Housewives are going to have to pay more for flour—perhaps as much as one cent a pound. And there will be upward pressure on the price of the bread they serve beginning this summer because the newly enacted farm bill increases the price of wheat. Government figures show that the lower a family's income, the more flour and bread

its members eat. This means the price increase will hit low-income families the hardest.

► Coffee prices are being pegged for the United States in London under an arrangement which aims at setting a floor protecting producers but provides no protection for the American consumer. Every one-cent increase in the price of coffee takes about \$35 million from the consumers the government says it seeks to protect in other ways.

► Milk prices in most metropolitan areas are held high by government marketing regulations and price-fixing schemes. Dairy economists report that federal milk orders raise consumer prices of milk about five per cent above what they would be otherwise. Federal price props on feed grains add to farmers' costs and, therefore, push up the prices of a bottle of milk, a pound of butter or an ice cream cone.

These are only three of many staples which cost the consumer more because of government programs which generally get in the way of potential savings.

Sugar prices, for example, have been held well above the world market price for years by a U.S.-guaranteed premium paid to foreign and domestic producers who clamor to sell to the lucrative American market. Vegetable oils used for cooking, salads and other kitchen purposes have been forced up in price in recent years by the Agriculture

Department in order to provide a surplus of soybean oil for cut-rate sale abroad; Agriculture Secretary Orville Freeman has been considering similar action again this year.

Beef prices which have been dropping at retail are being cautiously shored up by ceilings placed on beef shipments here by Australia and New Zealand under pressure from Uncle Sam.

Stronger, permanent barriers block import of practically all other commodities supported by the government under price support programs. Thus, the U. S. consumer is denied the advantages of reduced prices he might well savor if competitive foreign goods could enter the market.

## Six-city study under way

The most widely promoted consumer program centers around Mrs. Esther Peterson, President Johnson's special assistant for consumer affairs. She is currently conducting a six-city series of meetings designed, say her aides, to find out what consumers are thinking and to demonstrate the government's interest in buyers' problems. How much further Mrs. Peterson will go toward recommending new federal activities is unclear.

Another program centers in the Agriculture Department, which has the biggest role of any government agency in keeping food prices high. More precisely, the program will

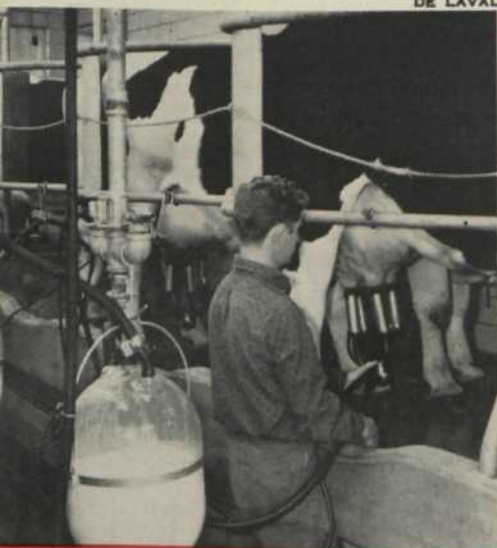
Housewives will pay more for flour, instead of possibly less, because of new U.S. wheat law



BLACK STAR



DE LAVAL



Federal milk orders in 82 cities fix high retail prices. Butter's price support slashed its market

center there when Congress okays a special study requested by President Johnson. The study, directed by a government-public commission, would investigate present and future trends in food marketing—the reasons for price spreads between different stages in the production-processing-distribution channel, changing trends in distribution and the power of big buying groups such as chain stores and wholesalers, among other questions.

Business groups say they welcome a genuine effort to set the record straight on costs and distribution patterns in the food industry. But many food executives privately express the fear that the commission may be stacked against them. The study probably won't get going until next year because of delays in congressional approval.

Attempting to play up its services for the consumer, the Agriculture Department in April held a two-weeks-long Food and Home Fair. And it is circulating a new pamphlet called "A Consumer's Guide to USDA Services" which tries to demonstrate how the Department works to be nearly all things to consumers.

"If," suggests the Consumer's Guide, "you have any questions regarding (1) soil, water, domestic animals, fruits, vegetables, flowers, trees, shrubs, (2) foods, their preparation, care, preservation, how to buy them, (3) nutrition, (4) planning kitchens or houses, (5) making or mending clothes, repairing carpets, (6) laundering, removing stains or (7) controlling insects—you can get a bulletin covering the subject (in most cases free of charge) or a personal answer to a specific question by writing a post card" to the Agriculture Department.

The pamphlet doesn't say anything about activities of the department and other government agencies which force the consumer to pay higher prices.

Government officials, to be sure, contend their programs aren't to blame for food price increases.

George L. Mehren, assistant secretary of agriculture for marketing, says the cost of the wheat in a 21-cent loaf of white bread totals only about 2.5 cents. Thus, he contends, the boost in wheat prices caused by the new wheat program will have little effect on food prices. This argument, of course, overlooks the fact that the price of bread, as the price of any manufactured product, is made up of many cost items, any of which may look small in itself. Add up supposedly inconsequential increases in the components, however, and pressure for price increases often become irresistible.

High federal price-fixing for foods differs from other rising components that make up the retail price of an item. Many food prices are rising largely because the food item has more processing done to it in the interest of convenience to the consumer. Roasts are trimmed, tied and pre-wrapped. Tomatoes come in cellophane-wrapped cartons. Peas are frozen. Flour is pre-measured and mixed. But government price-boosting of raw materials adds nothing in the form of new convenience or services to the food product the consumer buys. In contrast to wages and the cost of products bought in the free market, the federally fixed

price levels usually have little to do with supply and demand.

But Agriculture Department aides contend any price-boosting is justified because it raises farmers' income. According to this argument, the nation as a whole receives value for its increased food prices in the form of a prosperous farm economy.

This reasoning is gradually losing its validity, however. To a rising degree, efficient farmers are finding that federal price support programs hamper their operations, damage their markets and hold down their income. [See "Crisis Forces Showdown on Farm Subsidies," February NATION'S BUSINESS.]

Marvin McLain, former assistant secretary of agriculture and now an official of the American Farm Bureau Federation, asserts that last year's wheat referendum pointed up farmer opposition to government wheat support programs, making this year's action both unwanted and unneeded.

Certainly, higher-than-necessary food prices hit hardest at the group  
(continued on page 95)

U.S. import controls, treaties shore up consumer prices for coffee, meat, sugar, other food





**President's adviser says:**

# **U.S. science entering new era**

Unsolved problems will keep our brainpower busy in coming years, says Donald F. Hornig

AMERICAN SCIENCE, while facing formidable competition from Western Europe and Japan, is moving effectively into a new era in which its discoveries can mean more growth and opportunity for private business.

That's the opinion of Dr. Donald F. Hornig, special assistant for science and technology to President Johnson.

Dr. Hornig was interviewed in the Executive Office Building in Washington by an editor of NATION'S BUSINESS.

In the interview he sizes up the present status of U. S. science and technology, the major challenges our scientists and engineers will confront in the years ahead, and the implications of the increasingly close relationship between science and business.

Dr. Hornig, 44-year-old former chairman of the department of chemistry at Princeton University, was named to his post on January 24. He was simultaneously named by the President to be chair-

man of the Federal Council for Science and Technology. He serves as director of the Office of Science and Technology in the Executive Office of the President and as chairman of the President's Science Advisory Committee. He was president, from 1945-47, of Radiation Instruments Co. and has held numerous other posts.

**Dr. Hornig, what are the prospects for the United States in terms of scientific and technological competition with other countries?**

I would worry most about the Common Market countries. At the present time American science and technology have a fairly clear edge on any of the communist countries. There may be a few specific areas where we are pressed. They have done some notable things on occasion.

Nevertheless, on the whole we have not only a better establishment, but I think that the flexible organization of American science is showing itself superior to the

tightly planned organization of the communists.

The Common Market countries, on the other hand, have a virile, healthy and growing scientific economy. Both the Common Market and Japan may press us in many areas. There are increasing indications that in some areas we have import or export troubles not because of their cheaper labor market but because of their technological advances, and that is disturbing.

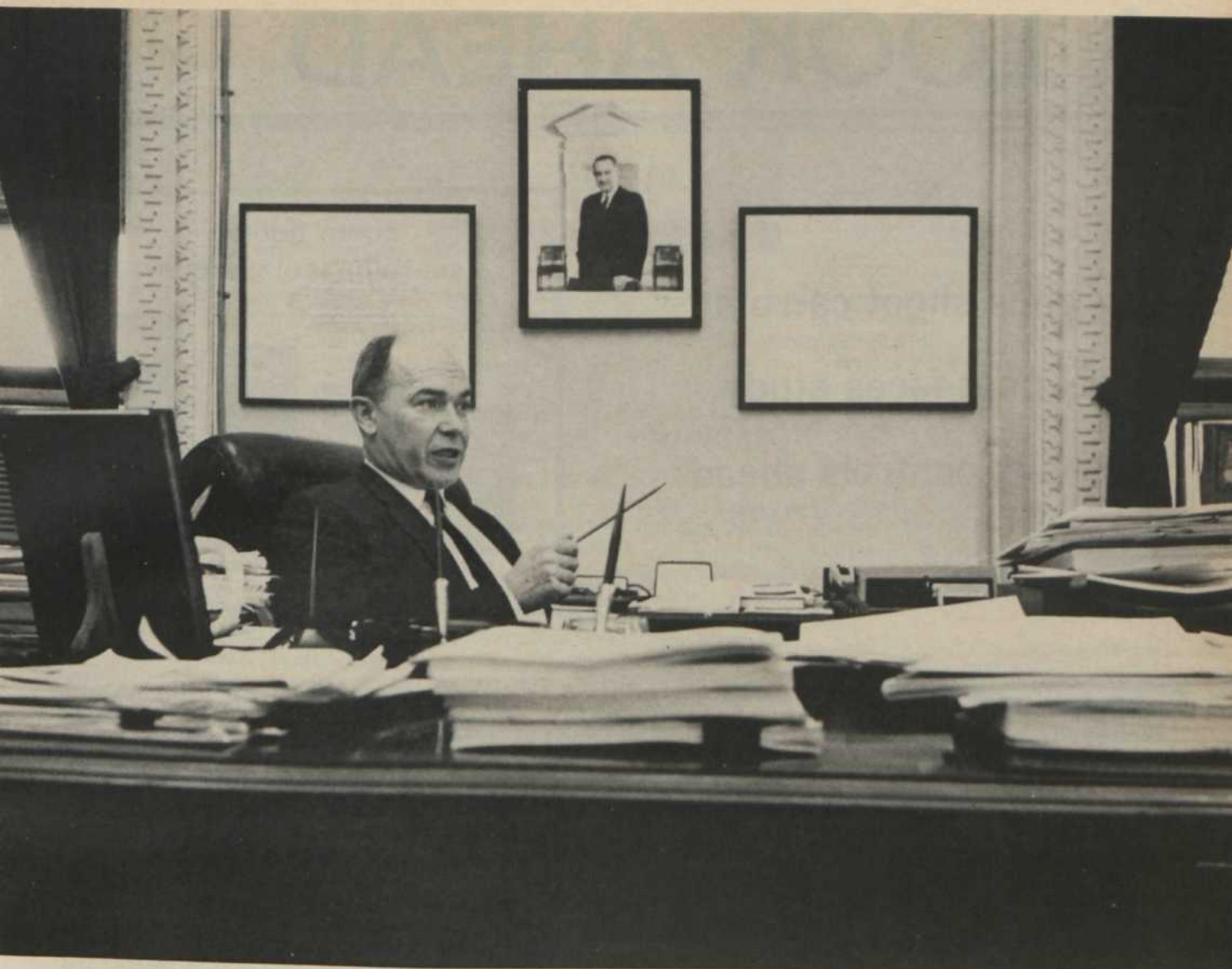
**Can you illustrate this?**

The Japanese are producing more highly automated ships than we are, for example. These problems aren't entirely technical, but it is the sort of thing that one has to think about.

**Do you feel that the liaison between government and industry in the field of science and technology should be improved?**

Well, I think the liaison is pretty good now. Anything we do can stand improvement, of course, but





FRED J. MAROON

Says presidential science adviser Hornig, "We are about to look carefully at the role of science and technology in economic growth... at how to stimulate a greater innovation rate in industry"

I am not quite sure of any specific direction at the moment.

The government needs the help and cooperation of business. Certainly many able business leaders spend a lot of time on government advisory committees now, and I am quite sure that there are new classes of problems coming up which will require perhaps closer collaboration.

What I have in mind are problems of very large scale such as we faced in the growth of the private atomic power industry, where the scale of investment required was such that it just wouldn't have gone ahead except on a kind of partnership basis.

I don't know what we will do about it yet, but we talk, for in-

stance, of very large nuclear desalinization plants.

There the capital investment, or the development cost, is something like a billion dollars. It is quite clear that however one goes ahead this is going to require some sort of a partnership between industry and government.

We have a current example in the supersonic transport, where there are not only technical but financial questions on how one should go about developing things when they get to be on a billion-dollar scale and still are primarily commercial.

I think that as one looks at other problems, such as the transportation industry, the roles of the federal government and private industry

and how they should interact are questions to be faced.

The railroads have been in trouble for a long time.

We have a transportation system which is very good, and still it has grown a little like Topsy. We have the changing pattern of trucks versus airplanes versus trains. There have been attempts at integration, but the system has never been integrated in a significant way.

We have in every major metropolitan area very difficult mass transportation problems.

It seems quite clear that as one continues to increase the number of cars, the number of people to be moved and the size of our metropolitan centers there is go-

(continued on page 44)



# A LOOK AHEAD

## Now guns shoot carrots

(Agriculture)

## Parcel post faces study

(Marketing)

## New bank controls ahead?

(Credit & Finance)

### AGRICULTURE

Steel and frozen tomatoes go together.

No one's successfully marketed whole frozen tomatoes yet. Too much water. But processing companies and U. S. Department of Agriculture are working on a liquid nitrogen freezing process. It's extremely cold.

Here's where steel comes in. New oxygen-using steel processes have raised production of that gas. Liquid nitrogen is a plentiful by-product, could make a perfected freezing process economical.

Other processes blossom, too.

Carrots are shot from guns. This aids drying, improves flavor, speeds cooking time, say USDA scientists. Researchers try the same on apple slices, blueberries.

Coming new processes may give you a better, cheaper glass of juice. Several companies begin making machines that dehydrate foam whipped up from grapefruit, apple juice. You dissolve the resulting powder in water. Tomato juice, vegetable purees may come next.

In Europe they peel fruits, vegetables with infra-red rays. Americans experiment with it. If successful, the method could cut costly hand labor in food packing.

### CONSTRUCTION

More building owners remodel instead of tearing down and re-

building. Examples: A New York department store becomes an office building. A Washington builder removes outer walls, innards of old office building before replacing with new. A San Francisco fire house becomes a museum and antique shop.

The trend seems sure to speed up as cities spread out. Existing commercial, apartment buildings at close-in sites become more valuable.

Knocking down, rebuilding means at least a one-third increase in owner's investment over old building, construction experts figure. So rents rise. Remodeling costs less, may produce a more competitive building.

Plentiful mortgage money supply encourages renovation, real estate experts note. When money is scarce, investors seek big new projects with prospects for rich long-term yields. Today's availability of capital spurs investors to back alterations. Extreme tightening of money supply or increase in interest rates would also boost alterations because cash would become too expensive for much new building.

### CREDIT & FINANCE

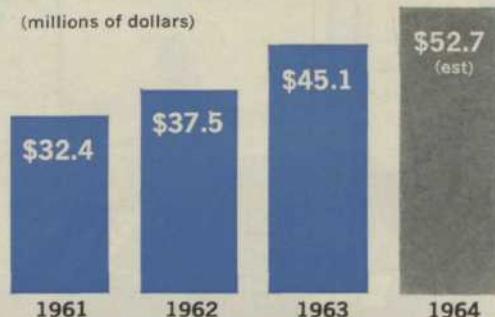
Watch for possible new federal regulations on bank ownership.

Congress is considering some tighter rules now, may look at others.

Strongest push comes from Chairman Joseph Barr of Federal

## Boom boosts machine tool imports

(millions of dollars)



Deposit Insurance Corp. He says law doesn't keep mobsters, other shady characters from buying control of banks. Only Florida among states has veto power over state bank ownership. Four bank failures in last 18 months stemmed at least partly from ownership change. FDIC discusses requiring member banks to report changes of control.

Congressional committees may study the problem. Main counter-argument: Should U. S. restrict the freedom to dispose of property?

The House already considers new controls on companies owning banks. Chairman Patman of House Banking Committee sees eye-to-eye with his favorite enemy, the Federal Reserve Board. Both want to extend provisions of Bank Holding Company Act to companies controlling just one bank. Law now applies only to those owning two or more. FRB claims present law may let company with both banks and commercial interests get better financing terms via its subsidiary bank than a competitor could.

Federal Home Loan Bank Board wants new power to suspend and remove crooks or incompetents from control of federal savings and loan associations. Chairman Joseph McMurray seeks industry support.

### FOREIGN TRADE

Your company—whatever its business—will want to keep an eye on what's happening to machine tool



and machinery industry imports. Foreign companies are becoming entrenched with U. S. customers. Japan opens direct sales offices in Chicago, elsewhere. Germans build new networks of American distributors. British plan an all-out attack on Texas customers in October with combination retail-industrial fortnight in Houston.

Automakers, suppliers offer the top target. The president of one British machinery company has visited Detroit 60 times in last few years. That's just a starter. Major West European, Japanese producers plan more trade show exhibits here.

Surprising new suppliers invade the market. Italians, for example. India may be next. Indian companies begin selling machine tools in Britain, will probably hit here next.

Some foreigners offer lower prices than American companies on standardized equipment. Europeans shorten delivery times as recent years' boom at home eases. This erases a past U. S. advantage.

## LABOR

New trends are ahead in employee insurance plans. So you'll want to be ready when unions make their new demands. (See article on page 36.)

The bill for employee insurance is going up. Premiums for employee policies—death, accident, health—topped \$7.3 billion in 1962, the latest available annual count. Just five years earlier, total was \$4.2 billion. Health insurance premiums alone will top \$7 billion in 1964.

Employers are paying larger shares of these premiums. The boss pays the whole bill on 46 per cent of new group health policies written by member companies last year, according to the Health Insurance Institute. That compares with 41 per cent in 1962. And the trend heads up, insurance experts say.

New types of coverage will win attention. Dental prepayment plans grow. A top AFL-CIO official foresees "a period of rapid growth in the near future" for them. More policies carry long-term disability coverage, benefits for treatment of nervous and mental disorders.

## MARKETING

Post office planners will prod business mailers to help cut parcel post costs.

Postmen appeal to bulk mailers to presort parcels at the plant. A study group will try to figure out ways of by-passing congested areas, try to devise new packaging methods for mailers.

ZIP-coded labels can save a day in delivery of packages, mean quicker payment of the bill, postal promoters contend.

Congress tells the department to make parcel post self-sustaining in revenue by mid-1966 or else no new appropriations. Postal officials warn businessmen they'll boost rates again if they can't cut costs.

## NATURAL RESOURCES

Coal men speed their bid to win new markets with research.

Scientists try to free coal from its solid state, cut transit cost.

Consolidation Coal Co. works with Interior Department on new process for making gasoline from coal at competitive prices. An industry-wide unit aims at making a new, cheap synthetic natural gas.

Project COED works on extracting liquids from coal, floating the residue to market in its own juice. A coal-powered fuel cell is under study. Union Pacific makes new tests of coal-fired turbines.

Coal's cost to electric utilities will drop through big mine-mouth power plants, industry figures. Some 85 per cent of 5.5 million tons a year will flow directly from mine to plant via conveyor belt in a 1.8 million kilowatt plant now abuilding near Indiana, Pa.

General Public Utilities Corp. gets a bonus from coal by developing a process for making sulfuric acid from smoke.

## TAXATION

Next major tax change hangs on House Ways and Means Committee hearings opening in mid-June. This wide-ranging study of federal excises will cover several months.

Congressional action won't come until 1965 or 1966.

Committee sentiment runs heavily toward revamping present selective excise pattern. But not necessarily to ending it. The Treasury needs much of the \$14 billion excises provide annually.

Some \$3.5 billion in gasoline, auto excises are sacrosanct because they pay for federal highway program.

So don't expect wholesale slashing.

Committee members want specific evidence of how an excise hurts an industry before they act. Chairman Wilbur D. Mills, other congressional veterans know the routine generalities, don't want to waste time on them.

"An industry can blow its chances for relief if it comes up with platitudes," warns one committee official.

Broad-scale testimony will come first. Ten professors, other tax thinkers are invited to participate in a panel. They'll range widely through tax theory. At least one—Harvard's Dan Throop Smith—will discuss a value-added tax.

## TRANSPORTATION

New standardization of auto equipment is shaping up.

Tire manufacturers make headway toward drawing up a set of recommended voluntary standards covering blowout resistance. Industry leaders expect agreement on the standards this month. The problem is tricky because of tire industry differences, fears of possible antitrust complaints.

Lawmakers in Washington, New York State prod the industry with threats of government action.

Over 30 states expect to complete organization in September of a commission to run the interstate Vehicle Equipment Safety Compact. It will encourage adoption of parallel regulations and elimination of differences.

Automakers watch state equipment rules closely for buildup of trends. Michigan now requires windshield washers. Will others? Urbanized states may follow California with requirements of anti-smog devices. The industry makes front seat belts standard equipment; if you don't want them, you can get a price reduction.



## U. S. SCIENCE

*continued from page 41*

ing to have to be more of systems design.

### More creativity?

There are going to have to be some new ideas in transportation. What are you currently studying that has implications of immediate interest to the businessman?

One of the studies we are about to undertake is to look carefully at the role of science and technology in economic growth—the problems of how to stimulate new activities and new development and a greater rate of innovation in industry.

The problems vary from industry to industry, but in general those industries which have been innovative and have invested a relatively high proportion of their funds in research and development of new products have in fact also been those which are growing rapidly and have been profitable.

I think this can be extended to some of the other industries which have been more or less static for long periods.

Does this reflect thinking in the Executive Department that new innovative spurs, in addition to tax cuts, might be used to give the economy a boost when it needs it?

We are exploring a variety of methods by which we could stimulate new business activities, new technical innovation and technical progress in a variety of industries through federal means. For example, through federal procurement practices as well as various methods of bringing to the attention of industries new scientific and technical developments which may be applicable to their areas.

Is Walter Heller, the President's economic adviser, involved in these studies?

Yes, we are working closely with Dr. Heller, and we are in close cooperation with the Department of Commerce.

What other important trends in science and technology do you foresee in the next five to 10 years?

In technology I think the major trends are associated with the increasing use of computers, the big ones. With that goes our increasing

ability to manage complicated production systems and complicated development systems.

Do you expect any significant new breakthroughs in computer technology?

It is hard to anticipate precisely their nature. But there is a great deal of work going on, particularly in the direction of better and faster memory systems and the micro-miniaturization of components, so that more and more can be packed into less and less space.

Perhaps more importantly, there is research going on in the proper languages for computers, the logical modes of organization, which will make the more complicated computers easier to use. It will be possible to program a variety of problems that we can't tackle now at all.

These are mainly the problems that aren't associated with numbers.

Do you feel that these trends will have an important impact on business?

I don't doubt it. Changes have already begun to take place in the organization of all sorts of business activities around computers, and I am sure this will continue.

The computer is becoming not just big, but it is becoming much more versatile. As you know, a whole range of computers is becoming available to business, general purpose and special purpose, from little ones to quite big ones.

How would you describe the present scientific position of the United States and the outlook for the next five years or so?

American science has been energetic for a long time, and it is certainly going to produce new materials, new products, new processes, new ideas and new concepts that we don't entirely comprehend yet. This is a process of moving forward as fast as possible.

Now, there are problems. There is, of course, always the problem of translating what you learn into technology and finally into products and processes. That has to go on at the same time.

Is the translation proceeding too slowly now?

I don't think you can generalize. People worry, on the one hand, about having exhausted the basic ideas in some fields. In some areas the technology is right up to the forefront. In others there may be

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## U. S. SCIENCE

*continued*

a problem of translating. You have to look area by area.

**What is really going to happen in America as a result of automation?**

Let's put it this way. This problem isn't new. When textile machinery was first introduced into England there was acute worry as to what was going to happen to the people who had done hand spinning and milling as they were replaced by machines. That started a revolution which has continued up to the present time. The net result of it has been that we have simply multiplied the productivity of the individual fantastically. But since we haven't yet filled all of the needs of our society and our people the market has kept on growing and we have increased productivity. The net result of this has been that we have been able to provide more for everyone.

Automation does some of the thinking and clerical work and also extends production. So we are certainly facing the dual problem we have had all along: Automation replaces existing tasks, but it nevertheless makes our whole enterprise more productive. The problem is social—whether we can make use of the new production without disjoining our whole structure of business, government and our general society. I am sure we can do it, but there will be very real problems, just as there have been all along, and maybe worse.

I don't really see why we shouldn't be able to solve that problem in the way we have solved the problem of increasing productivity all along. I am optimistic.

**Do you expect a large number of commercially useful payouts to result from our research and development efforts?**

The record up until now has been one of payout in the sense that our life has changed enormously in 50 years, and most of the big changes have sprung from research which has occurred in that same period, plus, after that, development, entrepreneurship, marketing and so on. There is every reason to anticipate that we will continue to have a high rate of return on our research investment.

How high it should get is a major question which concerns us but which I can't tell you the answer to. The nation now invests three



per cent of the gross national product on research and development. We invest about one tenth of that in basic research. So it is about 90 per cent applied research and development, 10 per cent basic research. But, as our total grows, plainly there is some point at which the yield goes down and makes it uneconomic. I don't think we have reached that yet. Many companies have fought with this problem internally, so it isn't a federal problem alone.

Recently it has been noted that because of defense cutbacks in some areas engineers are not quite as much in demand as they were a year ago. How do you size up our scientific manpower supply?

There is no good evidence of a present shortage, except among college and university teachers. In industry there appears to be an adequate supply. With any reasonable rate of growth, we ought to be able to meet the demand except for the most highly trained men. I think we are going to be pressed constantly for the next 10 or 20 years, but there may be local situations where there will be temporary surpluses as a result of changes in government spending.

But in the long term I think these people will be assimilated again, because the pressure is going to be constantly to get enough.

We are concerned with the question of technician training, and a report on this will be issued soon. In today's highly technical business establishments there is a need for people who are reasonably trained technically but who for one reason or another don't go through college. Our feeling is that there is now a relative imbalance between the people we don't train at all, the people we train highly in the colleges and universities and the people who are trained on this level of being highly skilled technicians.

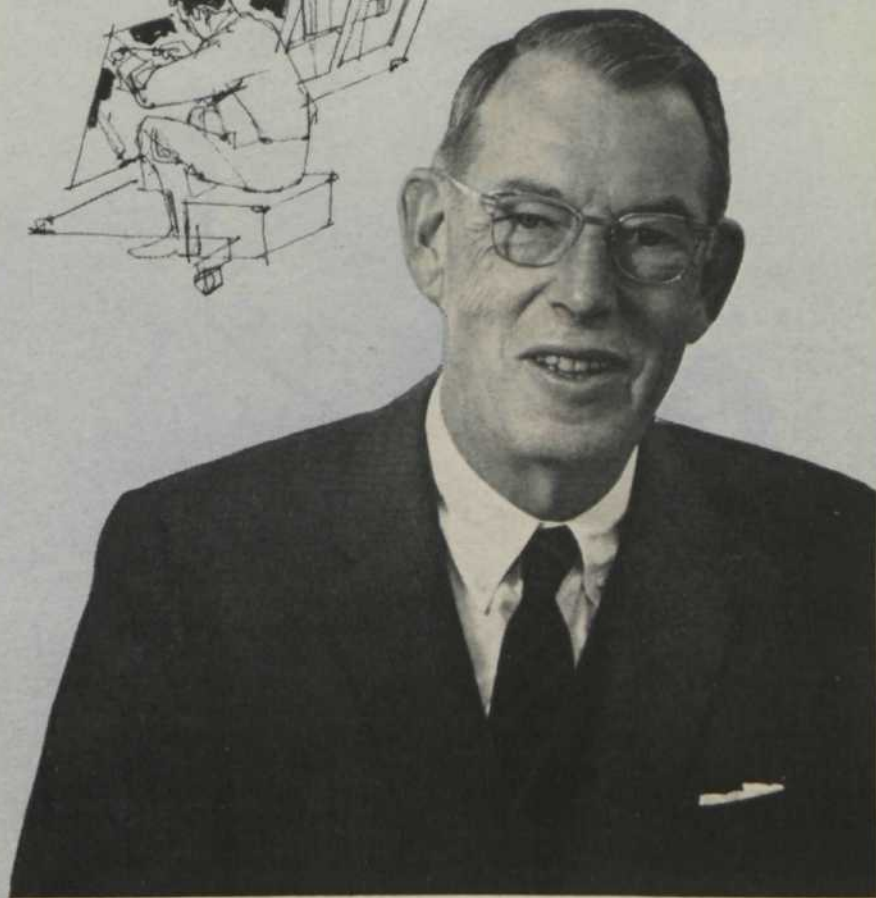
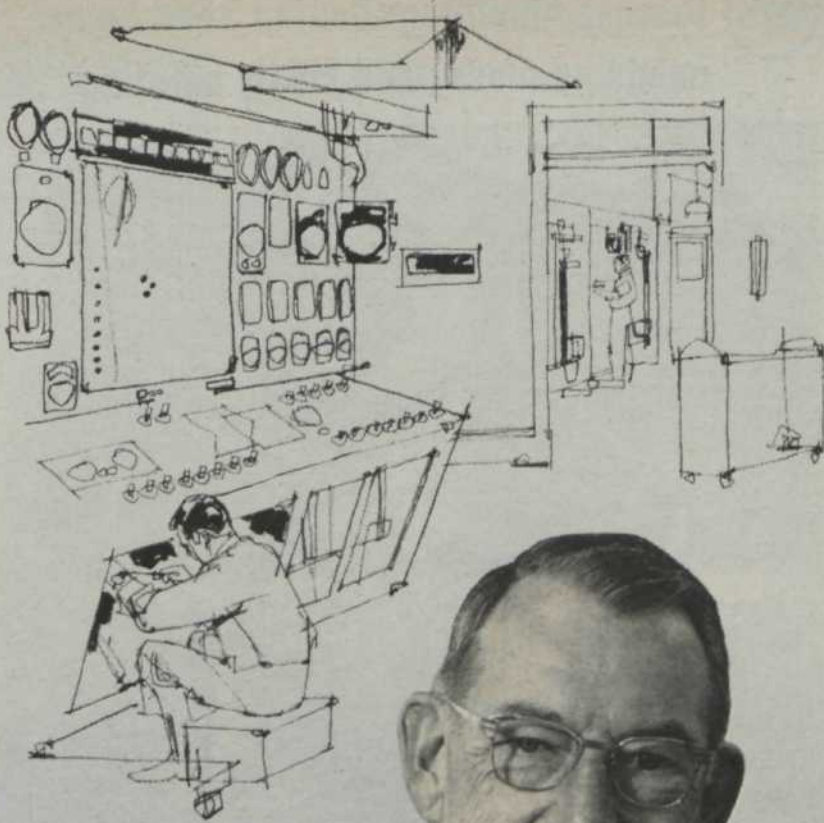
What we get in the future is going to depend very much on the quality of people we turn out, not just the scientists and engineers but the managers, too.

**What can business do to assist this effort?**

One thing is to help schools and universities, to support good efforts where it sees them. I mean to encourage institutions which have imagination and some plans to upgrade themselves, because there are many institutions which aren't as good as they might be.

**Should some companies earmark**

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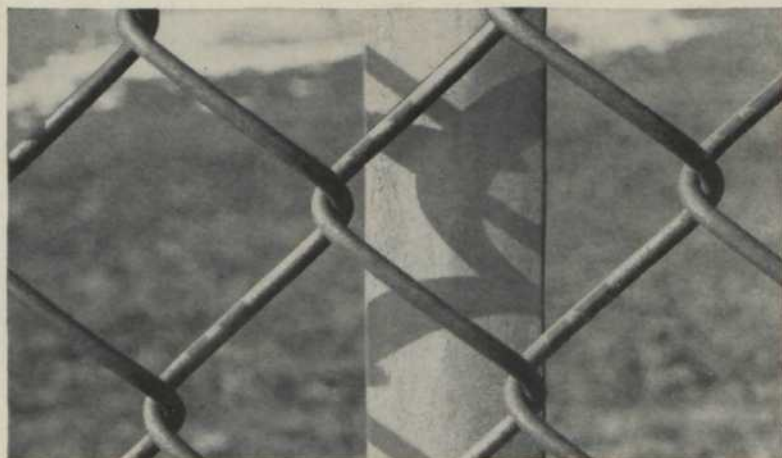
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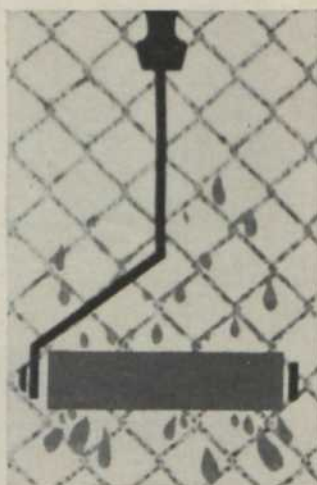
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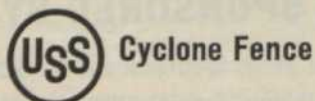


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## U. S. SCIENCE

*continued*

more funds to upgrade the skills of scientific people on their payrolls?

Yes. A progressive company now ought constantly to think of schemes for upgrading the education of its technical people.

Many progressive industries do it in many ways all the time. But the pace of change in some industries has been increasing.

Do we have to learn more about managing the scientist in industry?

Oh, yes. In many companies scientists and engineers are managed extremely well. On the other hand, maintaining an environment in which people can be creative and productive in a scientific sense isn't entirely the same as keeping a good office force or production force going. This is a constant problem for which there is no pat recipe—maintaining the spirit of inventiveness, creativity, the sense of personal freedom, and still keeping the whole enterprise coupled to the objectives of the company.

What sort of changes in our way of living or producing goods do you foresee as a result of scientific advance?

In the area of health, for example, we are just beginning to understand heredity and the fundamental processes of physiology, so I look forward to accelerating progress in the general field of medicine.

I have talked some already about the field of automatic data processing.

What we are learning now in physics and chemistry is going to produce completely new materials which we are going to be able to work at higher temperatures and use in more efficient propulsion systems of all sorts. I foresee continuing rapid evolution of new materials, which will do everything we want to do better. This ought to have the effect, if the economy is managed well, of producing more for more people.

We are facing some new problems, for example, in the use of our water supply. This is beginning to be a problem not only in the Southwest but even in nicely watered areas like Long Island and the East. We are going to have to make big strides in the conscious control of the environment we live in, and this includes water supplies. It also means rationaliza-



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## U. S. SCIENCE

*continued*

tion of the use of pesticides. Our control over nature in the form of pesticides, which clearly can be made safe with the right research and employment practices, is going to continue to increase our agricultural production and probably diminish the hazards to us from objectionable insects.

People like to think that there is a new frontier in the oceans—a source of food supply and materials and minerals. I am not going to predict any breakthrough yet. I do know that we don't know much about the oceans. There is a fairly vigorous program in oceanography now going forward, but six sevenths of the earth is covered with water, and if we can control that six sevenths there is bound to be something new coming out of it.

**How would a sharp slowdown of spending for defense and space programs affect U. S. science?**

It would mean people would have to give up one kind of job and learn another. I think there would be an extensive disorientation, particularly among engineering and technical personnel. Of course, the big question is how adaptable the industries involved are. I think they have all been oriented to government business for so long that in a disarmament situation, or at least if there ever were a considerable cutback in defense, presumably they might have problems re-orienting themselves to the civilian economy.

As you look at prospects for the fu-

ture, what gives you your greatest reason for optimism and, on the other hand, what causes you the most pessimism?

What gives me great optimism is that we have a healthy scientific and technical establishment at the present time; secondly, that we have recently shown the ability to continue to adapt and change it as we go along, and that there is enough concern now about the questions of manpower utilization, the training of people and enough concern about the organization of our efforts so that I see every reason to believe that we can continue to expect it to provide new ideas and new materials for industry, and new industries, as it has in the past.

The greatest cause for pessimism, I think, is that the nation has not entirely learned to understand the role of research in generating our own future. We have traditionally supported most research as a by-product of our military efforts, and although the fruits have perhaps been at least as much economic as military, we haven't as a nation yet learned how to establish the scale and kind of our efforts when there has been other than a military need for newer and more sophisticated products. This has given rise, of course, to very big public and congressional questions as to the nature and kind and scale of our scientific enterprise. This re-examination is healthy.

We have got to resolve this in a constructive way or there could possibly be problems for the future. Just as our 1964 technology differs from 1920 technology, the same will be true in 2000 with respect to 1964.

**END**

## MORE JOBS COMING *continued from page 33*

dicte that federal procurement generated 3.6 million jobs in 1957 and 3.9 million in 1963. One Labor Department technician concedes these figures are very unsatisfactory. He says they were calculated this way:

The government estimates the total dollar sales of a given industry, relates this to total employment within that industry and comes up with a dollar-job ratio.

Government technicians apply the dollar-job ratio to government procurement for that industry. This is repeated for each industry from which the government obtains goods and services. The results are sup-

posed to separate out government from privately generated demand.

But if you consider the high-cost requirements in the space and defense fields, reports of overspecification in less sophisticated procurement programs and high wage requirements for government contract construction, critics say, it seems questionable to assume that a dollar spent by government will produce the same number of jobs as a dollar spent for civilian needs.

### **Jobs not counted**

Another category of jobs not counted as generated by private



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C. \$ _____	a month for _____ months

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Address \_\_\_\_\_  
Title \_\_\_\_\_  
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NB-2

## MORE JOBS COMING

*continued*

demand is employment in not-for-profit institutions, which accounted for an increase of 700,000 jobs over the six-year period cited.

But Eli Ginzberg, professor of economics at Columbia University, notes that much of this activity involves health insurance and voluntary hospitals, and "most of the money flowing through is still the consumer's money. It is not that government has been the big source of funds."

"I've seen no evidence that the private sector is deficient in generating demand," Democratic Rep. Clarence Long of Maryland tells NATION'S BUSINESS. (The argument for federal spending assumes that private forces fail to generate enough demand to keep the economy humming at high-employment levels.)

Representative Long, a professor of economics at Johns Hopkins University before his election in 1962, argues that job-generating demand in the past few years has been soaked up by rising wages and prices, and partly by purchases of imports.

Many of the unskilled have been priced out of the market by the minimum wage, union scales and other factors, he notes, while the majority of workers outpaced them in productivity. Nor does he feel they will be helped by such measures as accelerated public works, which bid up the cost of employed labor.

Further shifts in employment patterns are foreseen by Labor Department observers who project employment at 80.5 million by 1970. Their projections by categories, compared to 1960, follow:

Professional, technical and allied workers, 7.5 million to 10.7 million; managers, officials and nonfarm proprietors, 7.1 million to 8.6 million; clerical and allied workers, 9.8 million to 12.8 million; sales workers, 4.4 million to 5.4 million; craftsmen, foremen, etc., 8.6 million to 10.3 million; operatives and allied workers, 12.0 million to 13.6 million; service workers, 8.3 million to 11.1 million; laborers (except farm and mine), constant at 3.7 million; and farmers, farm managers, laborers and foremen, 5.4 million to 4.2 million.

The Labor Department also has studied a number of major industries in an effort to forecast employment trends related to tech-

nology through 1970. Increases are expected in the fields of air transportation, aluminum, banking, cement, contract construction, concrete products, electronics manufacturing, gas utilities and pipelines, insurance, printing and publishing, synthetic materials, wholesale and retail trade, and trucking.

Areas in which employment trends are listed as uncertain include electric power, federal government, glass containers, iron and steel, motor vehicle and equipment, pulp and paper, and cigarette manufacture.

### Where decreases will come

Employment declines are in prospect for the aerospace industry, bakery products, bituminous coal, crude oil and natural gas, dairy products, footwear, foundries, lumber and wood products, malt liquors, meat products, petroleum refining, railroads, telephone communications, textile mill products, tires and tubes, cigar manufacture, and waterborne transportation.

The special industry studies did not cover the service industries, which despite the participation of extremely low-skilled workers in some categories are characterized in general by higher levels of education than other industries.

Yet Victor Fuchs, of the National Bureau of Economic Research, finds the trend toward higher skills in the service field surprisingly lagging behind the goods-producing industries, at least on the basis of preliminary study.

Tentative estimates show considerable variation in productivity between individual lines of business, of course, and in general no great upsurge. These observations, if confirmed by further study, would have important implications for the economy.

Mr. Fuchs notes that a rapidly expanding service sector, if lagging in productivity, could dampen over-all economic growth. If wage increases are granted in these industries on the basis of over-all national productivity guidelines, the result will be more pressure for inflation.

The Labor Department's projections of employment increases in specific industries presume growth of 50 per cent in the nation's output of goods and services during the decade of the 1960's and an unemployment rate of three per cent.

An unemployment rate of three per cent is also the goal of the  
(continued on page 57)





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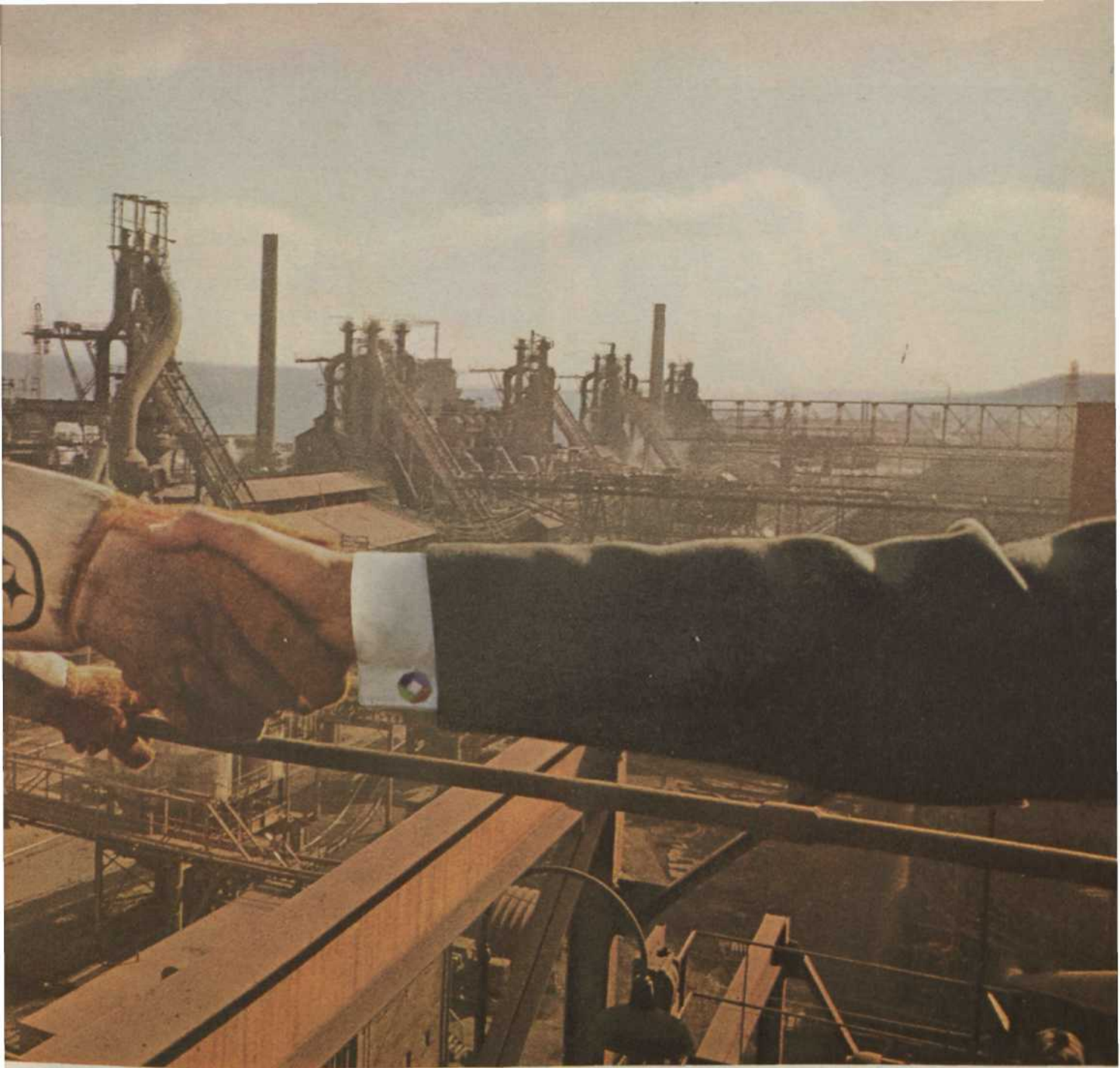
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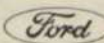
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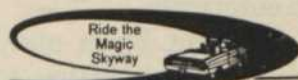
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## MORE JOBS COMING

*continued*

Clark Subcommittee's recommendations.

Even without the stimulus of the massive spending the Subcommittee urges, unemployment may well decline to four per cent. Gardner Ackley, a member of the President's Council of Economic Advisers, recently speculated that the unemployment rate would approach that level in 1965 as the effects of the tax cut take hold.

Many experts feel that the main problem lies in finding qualified employees for jobs that now go begging. Too many of the unemployed, they say, lack the needed skills, knowledge of vacancies, desire or financial resources to move in search of work.


Republican members of the Clark Subcommittee emphasize the testimony of Dr. William B. Logan, a member of the President's Panel of Consultants on Vocational Education, to the effect that: "There are four to six million unemployed; at the same time there are four to six million job openings. The difference is skills."

As to the availability of jobs outside highly technical fields, Representative Long notes: "It's just not accurate to say that the abundance of jobs applies only to the brilliantly educated. It goes on down the list."

While no nationwide job vacancy statistics are available, the Clark panel heard ample testimony from scattered localities that hundreds of jobs are available for such workers as meat-cutters and machinists.

Mobility, of course, is another problem. A Labor Department study of workers unemployed for five weeks or more in 1961 and again unemployed during April, 1962 showed that of those not expecting to be recalled to their previous jobs, only 27 per cent indicated without qualification that they would take jobs in another part of the country.

There is bipartisan support for efforts to develop nationwide statistics on job vacancies, and the Labor Department has promoted two pilot studies, in Chicago and Buffalo, with more to follow. Preliminary results of the Chicago survey of 60 firms by the Illinois State Employment Service indicate that it is possible to assemble data useful for community planning, training programs and vocational education courses. **END**



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# *New way to improve your decisions*

Putting specific values on the key facts leads to better comparisons

WHenever you make a decision, you consciously or unconsciously weigh alternatives and pick the one you think is right.

Many businessmen have developed this as a skill. Others do it by instinct. Now you can take a scientific approach to it.

You don't have to use the technical name "statistical decision-making" or be adept at more than simple arithmetic to use the new method. The concept involves nothing more than basing your decisions on significant facts to which you have given definite values and comparing them to other facts to which you have also assigned specific values.

Irwin D. J. Bross, author of "Design for Decision," points out: "The name statistical decision-making is something of a misnomer. Many people other than statisticians have grappled with the problem of decisions and have contributed important ideas. The statisticians arrived on the scene rather late (and more or less accidentally). They translated the existing ideas into statistical terms, added some ideas of their own, and then assembled all of these concepts into an integrated mechanism for making decisions."

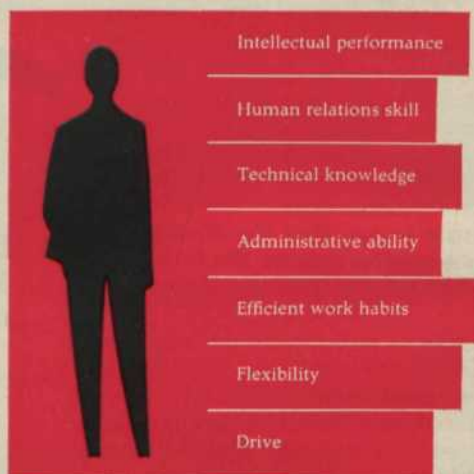
Modern executives, of course, are accustomed to using figures and statistics to control their operations. But generally statistics are used to analyze results, and only secondarily as clues to causes. This is a much different attitude from seeking out relationships underlying the facts.

"Putting numbers on the facts" simply forces—and, in many cases, makes possible—more explicit definitions of problems and makes it easier to select alternatives that can make up answers.

Generally speaking, a statistical decision involves these steps:

- ▶ Defining the problem in detail.
- ▶ Putting a value on the factors.
- ▶ Manipulating the factors to determine relationships.
- ▶ Weighing relationships to determine the decision.

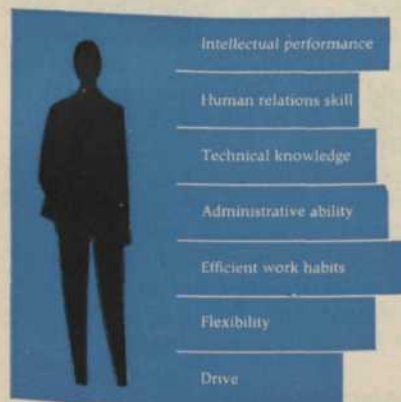
The beauty of the method is that it can be adapted to any need and carried as far as you want to carry it. This means that it can be as valuable to the retail store operator as to the manufacturing executive. It can be applied to personal and domestic problems as



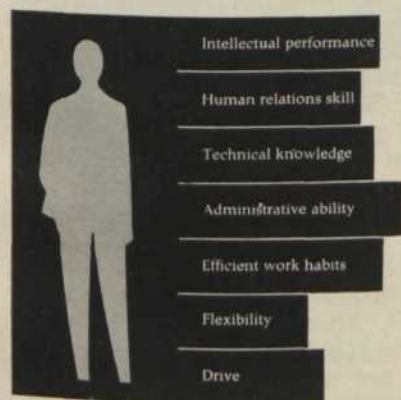
Here's how to use this technique, for example, in choosing a new employee: First, decide which qualities you want, and how much value you attach to each



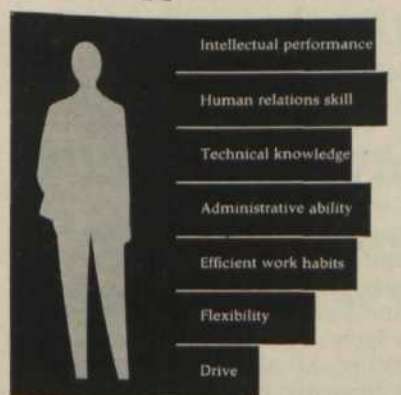
Then measure each  
applicant's qualifications  
against those sought.  
Pick closest match



Applicant A



Applicant B



Applicant C

readily as to major economic or production situations. Here is a non-mathematical explanation, along with some examples of how you can adopt this system to your own needs.

### Defining the problem

The heart of the technique is the specific evaluation of the factors that will be, or could be, involved in a decision. This means you must start with a specific breakdown of the significant parts, both fixed and variable.

Most people facing a problem tend to try to take some immediate action. They jump the first step: analyzing the problem. Yet what appears to be a simple decision can turn into a large mistake.

For example, suppose your company had decided to cut its sales costs in one territory by dropping sales service to one of two marginal customers. One customer has purchased \$50,000 in the past 10 years. The other has purchased \$40,000 over the past eight years. Which should be dropped?

At first glance, it would seem to be a fielder's choice. But actually, no decision should be made yet because these facts are not inclusive enough.

On probing deeper, you may find the history of the two customers' buying stacks up like this:

	DOLLAR SALES IN THOUSANDS									
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Customer A	\$1.5	2.5	4	6	6.5	7	7	6	5	4.5
Customer B	\$—	—	1	2	3	4	5	7	8.5	9.5

The difference thus becomes clearer. Cutting off either customer would not represent the loss of an average \$5,000 a year. The first would cost you less than that in sales and the second would cost much more.

Taking the second mental step to analyze the facts behind the apparent facts is a key to making better decisions.

If it is not possible, with your problem or the facts available, to put such exactness into your thinking, you may want to apply the more generalized laws of probability. Probability is a complete study in itself, but oversimplified it consists of figuring the odds—often in combinations any good poker player can handle with ease.

It is better to say, "There are four chances out of five that we will lose that customer if we don't make immediate deliveries to him nine tenths of the time," than to say, "That customer won't stay with us if we don't deliver promptly."

With the odds spelled out, you can analyze your past delivery records and determine the probability of being able to hold the customer with your present system and, if not, what might be done to correct the situation.

### Put numbers on the facts

Once the factors are isolated, you can give them definite numerical values which may reflect either desirability or liability.

There are some men who would prefer not to commit themselves by putting a numerical value on their views. Others just do not want to think that hard. They will argue that their problems, involving



## DECISIONS

*continued*

people and intangibles, do not lend themselves to specific values. And, in some instances, they are right.

Nevertheless, even the attempt to assign some numerical values, however rough they may be, will force you to think through a problem. That, in itself, will probably lead to a more enlightened decision.

It is important also to establish how much accuracy you really need. If you just want to know whether something can be done, without regard to cost or time, very rough figures will suffice. But, if you want to know how well it will work, or exactly how much it will cost, or the precise probabilities of success, your facts will have to be qualified more precisely.

It is also completely permissible to hedge your calculations—as long as you realize and admit you are hedging.

For example, the PERT (Program Evaluation Review Technique) systems now widely used in the defense production industries provide a reasonably accurate and workable method of scheduling highly complex projects which may involve the work of dozens of contractors, all of whom have to come out even to complete a project on time.

But even here, allocating time values to the different activities is usually done on the basis of three separate estimates: the most optimistic, the most likely, and the most pessimistic.

It is usually easier to assign values to a number of variables in two steps: first, a rough evaluation—simply picking out the factors that seem most important; then a refined evaluation—tightening up and getting specific.

If you were hiring a new man, for instance, you might first list the qualities you consider desirable:

- Position performance
- Intellectual ability
- Human relations skill
- Technical knowledge
- Breadth of knowledge
- Planning ability
- Administrative ability
- Efficient work habits
- Quality of work
- Creativeness
- Verbal facility
- Sociability
- Sensitivity
- Leadership
- Ability to develop others
- Self-motivation

- Positive attitude
- Vision
- Dependability
- Acuteness
- Capacity
- Flexibility
- Analytical ability
- Self-control
- Initiative
- Drive
- Self-confidence
- Objectivity

None of your applicants is going to fill all of these requirements equally well. Furthermore, some of the qualities will be more important than others in a given job. Therefore your first step should probably be to decide which characteristics will be important to some degree.

The next step is to assign definite numerical values to the qualities you select. This could include psychological research and detailed studies of the performance and comparable personality factors of predecessors in the job. You probably would need a computer to analyze the resulting data. But let's say that you either haven't the time or facilities for such analysis, or that you just don't want to do it. Your next step, then, is to try this:

First, assume that these characteristics can be purchased in any quantities for 10 cents each. You have \$10 to spend. How would you shop for them—how much would you spend on each of the characteristics you think are important?

When you have done this, look over your list. If you decide to spend \$2.50 on "Technical Knowledge" and \$1.25 on "Administrative Ability," think this through. What you are saying is that you consider technical knowledge to be twice as important as administrative ability. Do you really mean that? Possibly you do, but one of the prime advantages of putting values on your thoughts is that you have the opportunity of studying unrelated factors on a common basis. This can lead to better decision-making.

Your next step would be to evaluate the extent to which each of the applicants has the characteristics you want. The actual decision, from a purely numerical point of view, will then go in favor of the man whose personality pattern most closely matches what you had previously set up as being ideal. But there may be good reasons why something other than personality traits should be considered. These can also be factored the same way and compared against an over-all value for personality, if you wish.

Often a nonmathematician will

find he can arrive at satisfactory values by relating something new to other values with which he is intimately familiar. Edwin Miller, of Lincoln Electric Company, gives an example in reporting on his company's purchase of a new 1,000-ton press:

"We bought it to handle some new products and to accommodate changes in existing products," he says. "If we were to buy these new parts outside, the additional storage we'd need would be equivalent to one of our two manufacturing bays. We'd also have to add two people to overhead to maintain the stock. Actually, we can manufacture the parts for about half the cost of buying them outside, use about one tenth the storage space we would have needed, and make the parts as we need them."

By thinking in terms of what it would cost to purchase the parts outside, storage in terms of present manufacturing space, and additional help on the payroll, this decision is quickly reduced to pros and cons in simple and familiar terms and can be justified as simply.

### **Manipulate the factors**

The statistical concept of decision-making also allows numbers and their relationships to be a jumping off point for reaching an understanding of an operation.

Sometimes you may not agree with the answer provided by the numbers. This is, even statistically, the permanent prerogative of the man who must take responsibility for a decision. In such a case, you can juggle the numbers to change the relationships.

Let's say that you have given a particular factor a value of 20 per cent. After getting your final answer, you would prefer to make that 30 per cent. Go right ahead—but remember, 100 per cent is 100 per cent, and that other 10 per cent must be taken away from some other factor. It is like spending money on two desirable objects—you may have to settle for less of one, or even give it up entirely in order to purchase the other.

You can make a statistical answer come out any way you want by juggling the values you assign to the factors. But the fact that you are working with specific numbers forces you to do this in a considered manner, with the consequences clearly laid out.

Another advantage is that, when you have a choice of several seemingly equal alternatives, you can test them by comparing numerical



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NB-1

## DECISIONS

*continued*

scores in a variety of combinations. Relationships or patterns may indicate the sensitive areas—those parts of the problem most susceptible to improvement if the relationship can be established or changed.

Patterns of some sort exist in nearly every situation. It is the way racing fans pick their bets; the way stock market professionals govern their actions. As Theodore H. Brown, an authority in the area of statistical quality control, points out: "These patterns of experience are to be found everywhere. We say that one person is dependable or that another is erratic. Whenever an individual who was dependable suddenly becomes erratic, some reason is sought for the change."

Attempting to rank a series of factors from the largest to the smallest will sometimes reveal a surprising amount of information. Ranking all your costs will quickly point out where the biggest cuts can be made. All too many industrial cost-cutting programs are actually aimed at marginal expense items.

Adding cumulative percentages to a ranked list of numbers can also be revealing. An example is analyzing your accounts according to profitability. If you put the most profitable, or largest volume customer, at the top of the list, then rank other accounts down to the smallest customer, adding cumulative percentages of total business as you go, you get a detailed and comprehensive picture of just where the bulk of income comes from.

Match this up with a similar ranking and accumulation of selling costs for the different customers, and you see where the bulk of your money is going. Companies which have done this have frequently found that there was a big disparity between the two.

Through all this manipulating of numerical symbols, you should remember that it is basic that a decision must be made. The objective is only to clarify relationships.

The executive still has to set the objectives. You still must decide whether any action should be taken.

—JOSEPH G. MASON

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*Miss Patricia Taney shows off her offset master made on 1952 Xerox Standard Equipment.*

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## UNION DEMANDS

continued from page 37

gible employees a choice between the sabbatical or extra pay. A large percentage, as high as 80 per cent in one company, chose the extra pay.

Mr. Reuther's top demand on the automobile industry is for a phased retirement plan under which, at 60, a worker would—without loss of pay—begin sharing more and more of his job with another worker each year until full retirement at 65 or earlier.

This idea as a device for alleviating unemployment has been recommended to President Johnson by his cabinet-level Council on Aging.

A more radical plan has been suggested by Edwin F. Shelley, president of a new company, Electro-Flite, Inc., White Plains, N.Y., and director of the National Council on the Aging, a private nonprofit organization.

Depending on the level of unemployment, workers with long years of service would get a year's paid leave, to be devoted nine months to education and training and three months to travel, recreation and leisure.

A novel demand of Mr. Reuther is for longer vacations with extra pay because, he says, it costs more to live while on vacation and traveling than while working and living at home.

He also wants a voice in the investment of pension funds, now controlled by the companies. He would like to see the funds invested in housing and community facilities, where it will benefit "the workers who own the money" and their families.

Automobile management will resist union efforts to infringe on its right to manage.

In the past, it has accepted such innovations as annual wage increases to compensate for increased productivity, the cost-of-living escalator, supplemental unemployment benefits and partial compensation for hours worked less than 40 in a week.

Edwin Shields Hewitt, managing partner of Hewitt and Associates, consultants to management on employee benefit plans, warns that any reduction in working hours will accentuate the increase in costs of benefits per hour of work because they will be spread over fewer hours. This will be in addition to increased costs stemming from added benefits.

Through the 1960's the Hewitt organization foresees:

Increasing interest in major medical care programs, with broadened coverage of medical expenses incurred outside the hospital and extension of health care benefits to retired workers and their dependents.

More programs for preventive health care and benefits for additional services, such as eye, mental and dental care, with increased use of deductible and co-insurance principles as a means of sharing the cost with employees.

Greater popularity for severance pay plans and increased development of arrangements to meet unemployment needs arising from automation or plant shutdowns.

Employers inevitably financing more, and employees less, of the cost of security benefits.

Greater use of savings and investment plans to help employees meet security needs.

Multiple use of existing funds to meet the cost of new benefits.

E. S. Willis, manager of General Electric Co.'s benefit programs, notes that the many innovations being devised for pay without work are somewhat in contrast with the lack of innovations in pay for productive time. He expresses concern over longer and extended vacations, which have reached four weeks for many long-service employees, five and six weeks for a few.

He hopes the five and six week vacations are not the start of a new liberalization of vacation plans, and that the 13-week sabbatical will not start a trend.

"Officials are working overtime as extended vacations begin," Mr. Willis complains. "The temporary loss of the older, experienced workers in any business is serious, but with businesses competing with hard-working foreign concerns, it is especially dangerous."

Peter Henle of the Bureau of Labor Statistics is among a number of expert observers who feel that more of the increased leisure for workers will come through more time off than through a shorter workweek.

"The relatively slight decline in average hours of work in recent years has been accompanied by a greater interest in more extended paid vacations and a greater number of paid holidays," he says.

"Providing a greater number of days off seems likely to continue to receive greater emphasis than reducing the time spent each day at work."

**END**





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# PEACE TREND WILL BRING BETTER BUSINESS

Cutting back defense spending and rechanneling brainpower will spur long-run economic growth

IF THE TENSIONS of the cold war continue to fade, American businessmen can look forward to new opportunities for their companies, even those engaging in the multi-billion dollar network of defense contracting.

To some, this might at first seem puzzling or even unacceptable. For years, with heavy industrial reliance on government procurement for defense, many people have come to consider federal contracts an essential prop for business. After all, defense dollars generate orders and orders generate jobs.

This is true. It is equally true that a cutback in spending for military hardware will have the immediate effect of disrupting corporate plans, scaring investors, eliminating jobs and even reducing the short-run profits of entire industries.

But, over the long run, a shift away from dependence on defense contracts can mean greater economic growth for the nation than it would otherwise experience.

Certainly nuclear test ban agreements, continued talks on disarmament and desires for stepped-up east-west trade would seem to be turning the world more toward peace than away from it.

The rechanneling of more money and brainpower into the civilian economy will stimulate a variety of industries from household appliances to industrial machinery. It

will also shift talents now concentrated on defense to university faculties and industrial research laboratories to produce the ideas and products of tomorrow.

The fact is that a heavy commitment to defense spending has not been good for our economy. It has diverted resources and skills from productive investment and much-needed civilian research and development. Our standard of living is lower than it would have been. The high taxes used to support our military effort have further discouraged investment.

Contrast the modest economic gains of the United States and the United Kingdom, both saddled with large defense commitments, and the spectacular rates of investment and economic growth of Germany and Japan.

Moreover, the wide variations in the amount of defense spending have hurt many industries, areas and individuals. The outbreak of the Korean War cut short the 1949 recession. But cutbacks at the end of that war and in the 1957-58 period contributed to the recessions of 1954 and 1958.

Congress is now considering legislation to set up a commission on national economic conversion. If established, such a commission would be charged with making recommendations for government programs and policies together with suggestions for both public spend-

ing and private investment as well as new use of people and facilities now engaged in defense work.

An existing cabinet-level committee has been at work for several months, reviewing and coordinating existing federal programs that will be affected by increased conversion from military to civilian effort.

Lynn A. Townsend, president of Chrysler Corp., said recently: "The silliest myth in the folklore about our economic system is the all-too-prevalent contention that our powerful and creative free economy needs massive transfusions of defense money to stay healthy and grow. . . .

"As a businessman associated with a company that holds a substantial number of defense contracts, I can say that I and my associates are going to work just as hard as ever to whittle down our costs so as to bid successfully for just as much defense business as we can get. But we are not going to complain about cutbacks in defense expenditures that can be achieved without weakening the total military strength of the nation."

## Adjusting to reductions

All present evidence indicates that the trend in defense procurement will continue down, not only in relation to total production, but in actual dollars. Since Korea total defense spending has fluctuated between nine and 10 per cent of the nation's output of goods and ser-



vices. The President's budget estimates a \$1 billion decline in defense spending for fiscal 1965, as economy measures take hold, and as vital weapons systems are completed. Even so staunch a supporter of military preparedness as Rep. Carl Vinson, chairman of the House Armed Services Committee, foresees a \$10 billion decline in the total by 1970.

What will this mean?

Reduced spending for defense should release resources and in-

come to satisfy a great number of nondefense wants, both private and public. From a national standpoint, the only reason to fear cutbacks is that a reduction in production, jobs and incomes in the defense industry will snowball.

What does the record show on this count?

Declines in total national production in the years of massive defense cuts at the end of World War II and of the Korean War were smaller, not only percentagewise

but in actual dollars, than the reductions in defense spending. There was no snowballing effect.

And the defense effort now is not 40 or 45 per cent of national output, as it was at the World War II peak, but only nine per cent. So there is no reason to believe that the economy's fate hinges in any significant way on maintaining present high levels of defense spending.

The drop in defense expenditures will be gradual, modest in amount

## WHERE SAVINGS CAN GO

Cut in defense spending will produce

### IF SPENT BY GOVERNMENT

---

New federal programs  
+  
Subsidies to state  
and local governments  
+  
More welfare projects

---

### IF RETURNED TO TAXPAYER

---

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spending  
+  
Increased investments  
+  
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## PEACE TREND

*continued*

in any future year and announced far in advance. Timely information and a better understanding of how our economy functions will not only prevent snowballing, but can in fact dampen the effect even within the defense industries. The total purchasing power, both of businesses and households, can be maintained and private expenditures sustained.

### Part of general trend

The completion of vast systems for nuclear defense and the easing of world tensions coincide with a downward trend in many other federal programs.

Expenditures on agriculture and agricultural resources, at a peak of nearly \$7 billion in fiscal 1963, are expected to decline below \$5 billion in fiscal 1965. Foreign aid is clearly headed lower.

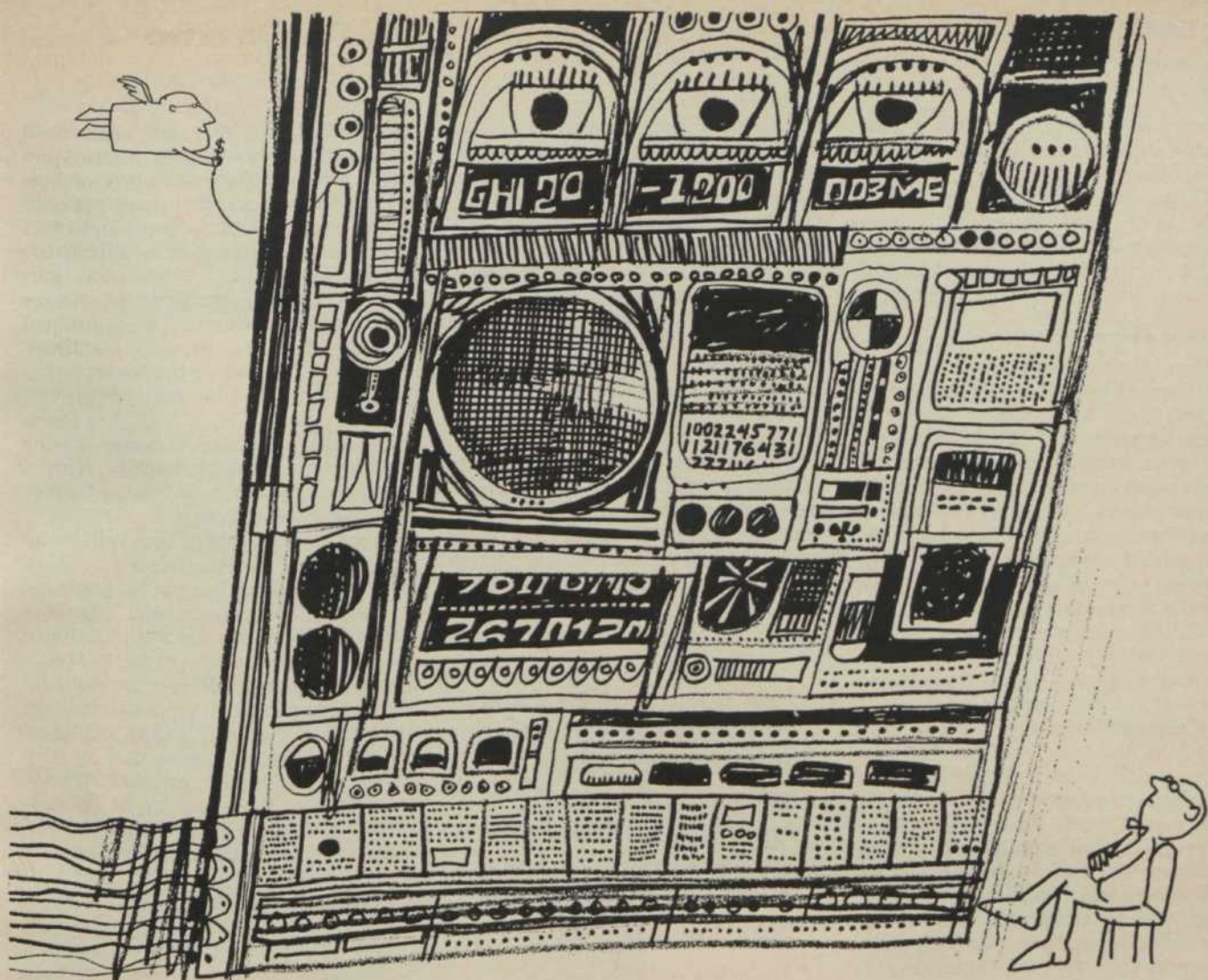
Increased expenditures are proposed on natural resources, urban renewal and community facilities, health, labor and welfare, and education. These programs are all tiny, however, when measured against the massive size of the defense establishment, which accounts for more than half of total federal outlays. The only program which in any way might compensate for defense cutbacks is space research and technology. But increases here will not be sufficient to cancel out declines in military spending.

Two points should be made about anticipated boosts in federal spending other than for space:

1. A large share of these expenditures does not involve the purchase of goods and services but payments to individuals and state and local governments.
2. The types of expenditures involved, whether direct or induced by social security and other welfare payments, do not correspond to the industry concentration, the skill mix or the regional distribution of defense cutbacks.

Even if existing federal programs were accelerated or expanded they would not directly absorb the labor and productive capacity released by defense cutbacks. What they would do is sustain or raise private buying power. This is the only job which the federal government can do, whether through higher nondefense spending, further temporary or permanent tax cuts, or Federal Reserve policies easing credit and lowering interest rates





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## PEACE TREND

*continued*

(or, more likely, through a judicious combination of all three approaches).

Thus, reliance must be placed on consumer and business capital spending to absorb labor and productive capacities displaced by conversion from defense production.

### **Lower taxes foreseen**

Part of the payoff of reduced military spending will accrue to consumers through lower taxes. Sectors of consumer demand which have been growing include college education, recreation, medical care, and (in the years ahead, with big increases in marriages) housing, furniture and household equipment. The home market for office equipment has hardly been tapped. Repair services could use a lot of innovation, investment and upgrading. Home air conditioning, second cars, second homes are expanding markets.

These industries will likely reap much of the benefit of defense savings. But it is hard to predict what new consumer products and services will result from the redirection of research and managerial skills from military to civilian markets. Certainly new or greatly improved products will be important in consumers' added purchases, as they have been in the sales of development-minded companies for years.

Many firms will feel the need for expansion as household purchases grow. Other businesses in the machinery industry, for instance, will be forced to invest in modernization to compete with converted defense firms. Business tax cuts will raise profit prospects and investment funds. The opportunities for new materials and new machinery and equipment in the construction industry are vast. Transportation of all types is ripe for innovation.

Some government programs are likely to grow: education and health, possibly urban renewal, urban mass transport, depressed area aid, and conservation. The mere reduction of jobs, research funds and graduate fellowships in defense-related areas should improve the quality of education and medical care. Too much of our best brainpower has been going into defense-related areas; some will shift to other college specializations and employment. Medical schools have been hard pressed to maintain an adequate number and standard of applicants, and teaching at all levels

has suffered in both quantity and quality through the competition of better-paid defense research and procurement employment. Some aerospace industry resources can be converted to designing and producing new urban mass transit systems, whose completion will generate private and local government construction booms.

There may be a closer correspondence between such civilian spending and defense spending in demand for products and skills than between federal nondefense and defense spending, but the difference in these respects—and in regional impact—will still be large.

There is no question about the willingness of families and individuals to spend nearly all their increased incomes if defense cutbacks lead to further tax cuts. Evidence of consumer satiation, such as more

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New ways for science and technology to contribute to economic growth are getting special study by top officials. President's adviser discloses outlook in special interview which begins on page 40

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income saved or an increased desire to sacrifice income for leisure, simply does not exist.

Likewise, state and local governments seem willing to spend to the limit of their resources.

The big question mark is business investment spending. Even here, doubts have been exaggerated by thinking of such investment only as plant and equipment spending, ignoring two large and growing forms of intangible business investment—training and research and development. Still, steps must be taken to insure that we will have the fiscal and monetary policies and the business climate conducive to expanded business investment.

### **Jobs will require moving**

In addition to government measures to sustain private purchasing power and spending, substantial geographical relocation of production and retraining of labor will be required. The problems here include individual adjustment, via migration, retraining, and income

maintenance in the interim period; industry adjustment—finding new markets, developing new products; and community adjustment—creating or attracting new job openings (and not necessarily in manufacturing, where employment prospects are not bright in the near-term).

The impact on defense industries and defense workers is a different and serious matter. It will not be easy to convert modern weapons factories to production of civilian goods. Nor will it be easy for the military technician or the aerospace industry worker to find another suitable job.

Defense production is highly concentrated in a few industries. The aerospace industry is more than 90 per cent committed to defense; electronics and ship construction are over half defense-related.

Defense production predominantly comes from specialized plants whose facilities are not suitable for conversion to civilian products and whose location is often inappropriate for successful competition in commercial markets. Many of the leading defense contractors are highly specialized in military markets; defense-space orders in fiscal 1962 constituted more than three quarters of total sales for Lockheed Aircraft Corporation, North American Aviation, Inc., and several other large firms.

The priorities in military technology and production—high reliability, fine tolerances, early delivery achieved at the expense of unit costs—are quite different from those needed for commercial success. It is not surprising that attempts of defense contractors at diversification have met, at best, qualified success. In fact, diversification has generally taken the form of penetrating additional military and space markets, rather than civilian markets. But in the past there was no urgency in reducing dependence on a single final purchaser and efforts in this direction were modest. Today the situation is different and results may be better. North American Aviation has diversified into computers and nuclear energy. Douglas, Lockheed and other aerospace firms are seeking new footholds in civilian markets.

### **What about facilities?**

Plant and equipment highly specialized for military production is less of a problem to defense prime contractors than it seems, for most such facilities are owned by the federal government, not by the company which operates them. Where





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## PEACE TREND

*continued*

they cannot be readily converted, diversification must take the form of mergers or investment in plant and equipment for civilian markets.

Many firms cannot diversify; they are too small and their managements and technical staffs far too specialized. Small firms in electronics and related industries have had a high turnover because of tremendous rates of technological change which can quickly leave a forerunner one day in the backwash the next, and for lack of managerial and especially marketing skills. Even for large firms specializing in military products, marketing is a weak spot. But by and large, the aerospace and electronics industries have the dynamic and innovating leadership needed for survival in a technologically revolutionary and uncertain market.

Litton Industries and General Dynamics are spectacular examples of growth and diversification.

A recent study by James McDonagh (Grumman Aircraft Engineering Corp.) and Steven Zimmerman (Newark College of Engineering) of the diversification potential of the airframe industry concluded that at best the alternative civilian markets which could be developed would employ less than half its current labor force. Prospects for electronics are much better, since its defense and space commitments are smaller, and many new and growing civilian markets are in sight.

Labor in defense production is also highly specialized. Many skills have no counterpart in the production of civilian goods, or the alternative civilian demands for them are far below their current supply. Defense plants have a rising proportion of nonproduction workers, who often outnumber production workers. Particularly notable is the concentration of scientists and engineers, and their supporting technicians. About half of all research in industry is financed by defense and space funds.

Research not connected with defense and space programs undoubtedly has been retarded by the siphoning of scarce talent into military projects. But commercial research and development will not absorb all the technical and professional workers released from defense industry, even where the skills are transferable. Scientists and engineers cannot expect to maintain the price commanded by their re-

cent scarcity, once the seller's market for their specialties ends.

Defense scientists and engineers, however, are younger than the average in other industries. In fact, the entire labor force in defense production is younger and better educated than the average, and therefore more adaptable, and better suited for job conversion. It is also more mobile geographically; the labor force in the great defense concentrations of the Far West and Southwest consists in great part of postwar migrants. Thus adjustment problems for defense labor are quite unlike those facing the middle-aged, poorly educated, immobile coal miners and textile workers of the East.

### **The geographical impact**

Defense workers may adjust by migrating to civilian jobs elsewhere. Firms may close down defense plants in one community and expand civilian operations elsewhere. This could hit some communities hard, for defense production and employment is highly concentrated. California, Connecticut, Arizona, Colorado, Utah, Washington, Kansas and New Mexico are all dangerously dependent on military expenditures. Yet the record of past defense cutbacks in some of these areas is encouraging.

In Wichita, for example, unemployment actually went down following cutbacks in the aircraft industry in 1962.

According to the Office of Economic Adjustment of the Defense Department, the unemployment rate in Wichita dropped to 3.5 per cent last September from a peak of 5.5 per cent the winter before.

"A progressive civic leadership, an experienced and productive labor force, a high educational level, sound finances, excellent utilities and a good educational system oriented to training displaced employees" helped considerably in the adjustment, the Office of Economic Adjustment says. Contributing to the economic accommodation in Wichita was success in attracting such new businesses as a Coleman Co. water heater plant, and Lear Jet, an executive jet aircraft manufacturer; and an expansion of established companies, such as Abbott Chemical Co. Retail sales went up four per cent last year, bank clearings up 6.9 per cent and postal receipts up 6.5 per cent, the Defense Department study shows.

Examples of hardship in Los Angeles, to cite another example, have been hard to find.

Despite substantial layoffs in the ordnance, electronics and aircraft industries in the Los Angeles area, unemployment rates have not varied much.

In February 1963 employment in these main industries that make up the aerospace field was 342,100. The unemployment rate was 5.5 per cent of the work force. In March 1964 (the latest figure available) employment was down to 333,300. But the unemployment rate was the same—5.5 per cent, according to the official statistics of the California Department of Employment.

Apparently the displaced aircraft workers found jobs readily enough; the real impact was on others, less skilled and less experienced, who had adequate employment opportunities until forced to compete with displaced aircraft workers.

The lesson from these and other experiences is, first, that large, diversified cities are inherently less vulnerable to major shifts in industrial activity than smaller cities overly committed to a narrow range of industries and skills. It does not follow that diversification is a possible or desirable policy for most communities; only a sizable city can find it economically feasible.

Second, even small cities with a skilled labor force, with good public services and with vigorous community leadership can take in stride adjustments which floor other communities.

Some communities refuse to give any thought to adjustment, apparently on the theory that by rendering themselves helpless hostages to defense procurement or basing, by maximizing their vulnerability and the loudness of their protests to Congress, they can indefinitely postpone the inevitable. But, by and large, decisions on force levels and procurement are not tied to such considerations. Other communities whose defense business is indirect are simply not aware of their involvement.

These problems are with us now. Not all of them will be solved. Some communities and some firms will not make it. These are the casualties of progress. But the payoff is indisputable, and well worth the cost: mobilization of more of our best human and material resources for satisfying current civilian wants, and release of a large share of our research and development resources for nonmilitary economic growth.

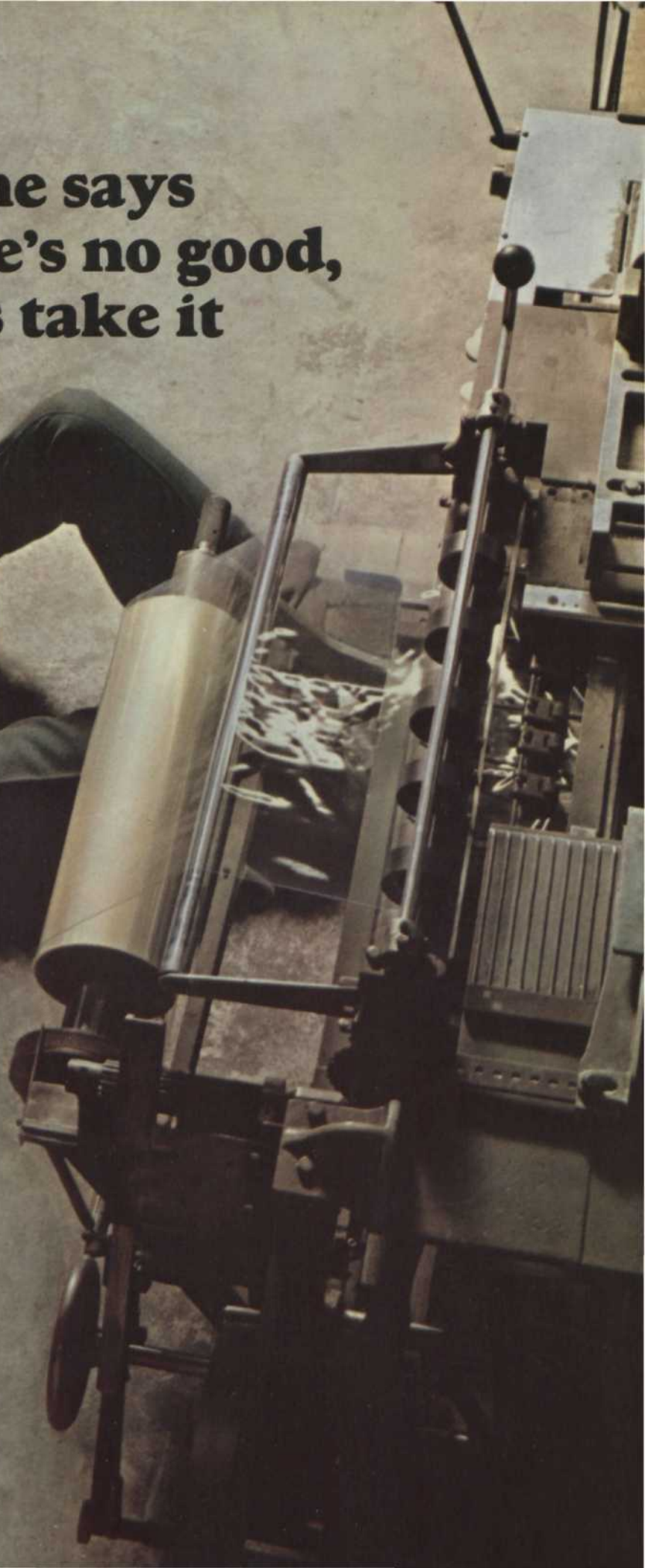
—CHARLES T. STEWART JR.  
*Research Professor of Economics  
The George Washington University*



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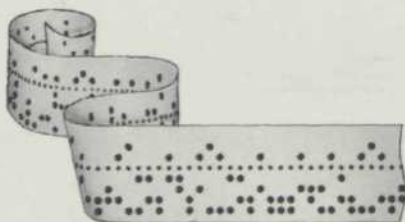
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register rang the bell. It's a long history of helping business save money. Today, we make total systems — and we're the only ones who do. It will pay you to investigate all the new ways we can serve you. Just call your local NCR representative. Or, write NCR, Dayton, Ohio 45409.

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# OBJECTIVE: THE WHITE HOUSE



PURCELL

THERE ARE few sure things in American politics.

Harry Truman proved this for Tom Dewey and most of the pollsters, pundits and politicians in his 1948 election upset. Safe candidates have run scared since.

President Johnson himself has predicted that the '64 race will be hard and close. On the other hand, confidence will abound and spring from political mouths across the land from now until the November 3 election.

To look beyond the big boast and the false hope for the logical arguments and battle plans on each side, NATION'S BUSINESS editors talked with both Republican and Democratic politicians and political scientists and analyzed election, population and survey statistics.

The articles beginning on the next two pages are the result. They tell what Democrats and Republicans think they have going for them in the 1964 presidential election.



# HOW DEMOCRATS EXPECT TO WIN

Democrats will rely heavily on prosperity and peace theme plus Johnson image as a doer to persuade the voting public that he should be allowed to keep job



LYNDON B. JOHNSON has the best of all possible political worlds.

His Democratic followers are confident of this. They point out that he enjoys unique advantages among presidential candidates because he has fallen heir to the accomplishments of the Kennedy Administration but not to its failings. Moreover, they feel he has been President long enough to show he can do the job but not long enough to have made many mistakes or enemies.

President Johnson has another powerful element working in his favor at this time: the sentimental well-wishes of his countrymen for a man who assumed the world's most responsible office in an atmosphere of national grief and shock.

It has often been noted that to run for election with the White House as your campaign headquarters is to have a head start too valuable to measure.

But even with so precious an asset, the trappings are only as good as the man who uses them.

President Johnson has shown he can use the office of the presidency to the fullest.

As Presidential Press Secretary George Reedy told NATION'S BUSINESS, Mr. Johnson is "above all, a practical man." Certainly there has been little wasted effort in his public performance from the day he took office.

In the days that followed the assassination of President Kennedy, party leaders feel that Mr. Johnson gave the world an unmistakable impression that he was completely in charge and that the nation's purposes would be carried forward without interruption.

*(continued on page 88)*

*Democratic Chairman John Bailey*



# HOW REPUBLICANS EXPECT TO WIN

GOP plans massive vote drive in giant urban centers in states with big electoral votes to reduce traditional Democratic majorities in ethnic and minority groups

TAKE a shrewd political incumbent. He has years of experience in the U. S. Senate and as an active Vice President. His name is known around the globe. Match against him a relatively untried candidate less familiar to the mass of voters. Who will win?

The shrewd internationally known ex-Senator and Vice President, Richard M. Nixon, lost to the lesser known candidate, John F. Kennedy, in 1960

Many Republicans believe they will be able to beat the experienced and famed Lyndon Johnson this year. Though many pundits and plain people believe Republican chances of electing a President in 1964 are nil, the G.O.P. is now working out a new unorthodox strategy for victory.

A major effort of the Republican presidential campaign will be to go after normally Democratic votes among the urban ethnic blocs and the solid South. This fractures the basic political commandment: "Line up the safest votes first."

To see this strategy clearly, consider these facts and figures: In 1960 the G.O.P. lost the presidency by the slimmest margin in history. It gained in Senate, House, gubernatorial and state legislative races.

But John F. Kennedy got nearly half again as many electoral votes as Richard Nixon. And that's what counts. When a presidential candidate wins a state he gets all the electoral votes of that state.

The way the Republicans look at it, the 1960 race was lost in half a dozen big cities. The late President Kennedy amassed such an enormous vote in our giant urban centers that state after state tumbled into the Democratic column.

For example, the Republicans had a 407,452 vote

*Republican Chairman William Miller*

PHOTOS: CARL PURCELL





## REPUBLICANS

*continued*

lead in upstate New York. Then they lost New York City by 791,118. This gave Kennedy 45 electoral votes.

In Illinois, Nixon went into Chicago with a majority of 447,000 but with the heavily Democratic Chicago balloting, he was nosed out by fewer than 9,000 votes and all of Illinois' electoral count went to Kennedy.

"Had Dick Nixon done even reasonably well in any three of these six cities, he would have been elected," bemoans G.O.P. National Chairman William Miller.

So, with a campaign budget of \$12 million for 1964 the G.O.P. plans to zero in on these 10 key cities, in big electoral vote states: New York, Philadelphia, Baltimore, Newark, Detroit, Chicago, St. Louis, Milwaukee, Minneapolis-St. Paul and Los Angeles.

Eight of the 10 states where these cities are located went for President Kennedy, although seven of them gave the Republicans a majority in the three previous elections. These 10 states control 220 of the 270 electoral votes needed to win. Seven out of ten voters now live in urban sections around the nation.

### **Performance unprecedented**

Since depression days, the Democrats have always counted on the factory worker, the foreign-born, the minority citizen of the big city. But Democratic percentages of, for instance, 70 per cent in Cleveland, 68 per cent in Philadelphia and 67 per cent in St. Louis—which Mr. Kennedy won—were unprecedented.

Behind this appeal were religious, racial and other factors that Republicans contend will be far different in 1964.

According to Gallup poll studies, 62 per cent of the Catholics who voted Republican in the 1956 presidential race switched Democratic in 1962 when Catholic candidate Kennedy ran. In 12 of the U. S. cities of over 300,000 population, more than one third of the residents are Catholic.

"The Catholic Republicans will come back in 1964," predicts Albert B. (Ab) Hermann, G.O.P. director of political organization.

The Negro vote is a second vital factor. In 1960 the percentage of Negroes voting for the Republican ticket dropped by about five per cent. Negroes are swelling the urban population at such a rate that more

than 1,000 Negroes a month move into St. Louis, for example. Many cities now have populations over 25 per cent Negro.

In 1960, labor union members voting Republican dropped by about eight per cent. Jewish voters also were drawn to Mr. Kennedy to such an extent that fewer than 20 per cent voted Republican for President.

In 1964 things will be drastically different, Republicans hope. They claim a New York state poll by the Democratic organization showed that while 71 per cent of the Catholics would vote for Mr. Kennedy, only 43 per cent would vote for President Lyndon B. Johnson.

On the other hand, anti-Catholicism cost Mr. Kennedy many votes. But the loss was most serious in several southern states. President Johnson could be expected to carry these states anyway. So his religion will not be the minus factor it was for Mr. Kennedy in the South, nor will it be a plus factor in northern cities.

National surveys have indicated that it does make a difference to Negroes that President Johnson comes from the South.

"Many Negroes are bound to be leery about a man who talks with a drawl like that," says one key Republican. Moreover, the Johnson congressional record on most civil rights legislation will be widely and enthusiastically broadcast to the Negro population. The NAACP recorded that Mr. Johnson voted against what that organization calls strong civil rights provisions on 21 of 29 occasions in Congress between 1945 and 1960.

Republicans, as the party of Lincoln, expect to be able to present a positive picture of G.O.P. stands on civil rights for a century.

California Congressman Bob Wilson, who is chairman of the Republican Congressional Campaign Committee, says that any weakening of the civil rights legislation in the Senate will result in more Negro disappointment and more demonstrations that could diminish Johnson Administration support.

### **Appeals to ethnic blocs**

Another important element in the big-city drive will be appeals to nationality groups. Traditionally the Republican Party has drawn its main strength from the white, Protestant Anglo-Saxon. But the population of many cities today is not unlike Philadelphia, for example, where about 65 per cent of the people are foreign-born or first-

generation Americans, where in 1960 some 33 per cent were Catholics, 15 per cent were Jews and only about 51 per cent Protestants.

Or take Cleveland, with this breakdown: Negroes, 28 per cent; Germans, 10 per cent; Jews, 10 per cent; Poles, eight per cent; Italians, eight per cent; Hungarians and Slovaks, five per cent each.

In 1960 there were hundreds of big city voting precincts with no Republican chairmen at all. Today, a three-man professional squad, paid by the G.O.P. National Committee, will have specialists in precinct organizing, nationality group organizing and Negro organizing at work in the urban centers. Already assembled in the files of the National Committee headquarters in Washington are detailed maps of the largest cities, which pinpoint the religious, ethnic and cultural organizations of groups Republicans have rarely reached before.

Following the 1960 defeat for the Republicans, then-National Chairman Thruston Morton appointed the Big City Review Committee which recommended a drastic reappraisal of Republican tactics. Since 1961, the Republicans have been implementing this.

Even more stress is being put on the big-city drive now in the belief that President Johnson's appeal will be much more limited than President Kennedy's among the Catholics, Negroes, nationality and labor groups.

The post-mortem of the 1960 election also showed that in each of the six industrial states which cost Republicans the race—New York, Illinois, Michigan, Pennsylvania, New Jersey and Missouri—thousands of Republicans did not vote.

Missouri was lost by 9,980. But some 375,578 registered voters in safe Republican territory did not go to the polls. In Michigan, where the G.O.P. lost by 66,841 votes, some 931,903 voters—62 per cent of them in Republican strongholds—did not ballot.

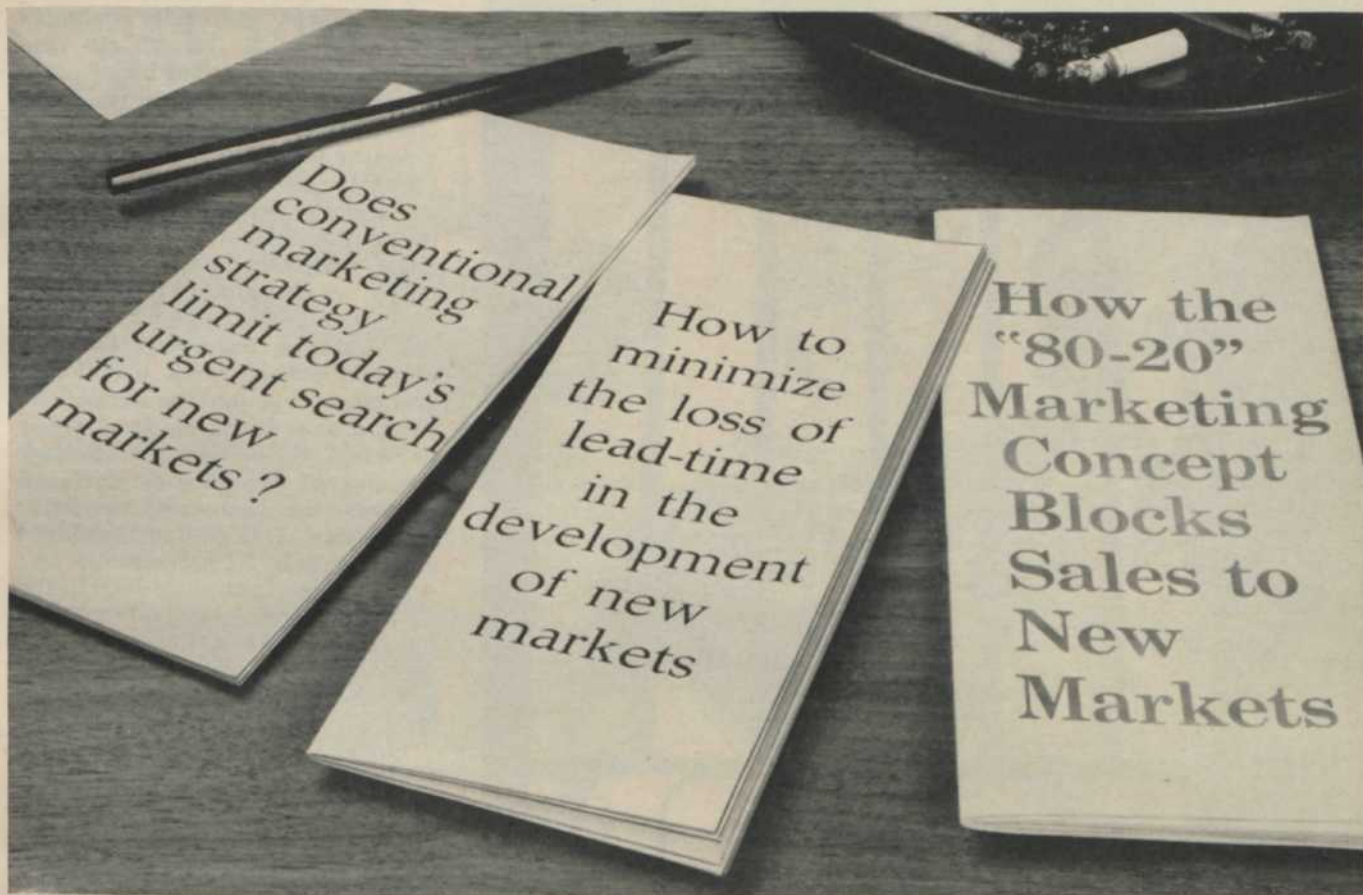
On top of this, in three of the six swing states millions of potential voters were not even registered: two million in Pennsylvania, over one million in New Jersey and almost one and a half million in Illinois.

But a number of changes have occurred—in addition to the succession of President Johnson as the almost-certain Democratic nominee. In a confidential report this spring to top Republicans, G.O.P. Chairman Miller gave this rundown:

"The city of Philadelphia's rebuilding process, undertaken from



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1960-62, found us losing the city by only 105,000 votes. [Gov. William] Scranton went on to sweep the state by over 450,000.

"In a recent mayoralty campaign in Philadelphia, through the constant rebuilding process in our party in Philadelphia with a new city chairman and the patronage provided by Scranton, we lost by only 63,000.

"It would be my judgment, with the continual resurgence of our own party, in Philadelphia and Pittsburgh, we should hold Philadelphia to a maximum of 125,000. If we do this, the case history of over one hundred years reveals that Pennsylvania will go into the Republican column with its 32 electoral votes.

"When [Gov. George] Romney was elected Governor of Michigan in 1962, the Democratic majority in the city of Detroit was reduced approximately 50 per cent.

"There has been since 1960 in the City of Detroit, a complete rebuilding of our organization under the new County Chairman, Peter Spivak. We should win Michigan in 1964 with its 20 electoral votes.

"In Chicago in 1962, under the leadership of Cook County Chairman Hayes Robertson, we succeeded in electing a Republican sheriff. You might think this is not much, but that sheriff has on his payroll 1,200 deputies who will not only see to it that Republican votes are cast in Chicago next November, but most important, that they will be counted properly. We will win Illinois. . . .

"In New York State the governor was re-elected by over one half million votes. In the city of New York, the usual heavy Democratic results were reduced from five to seven per cent.

"The results of the municipal elections throughout the country in secondary big cities in states such as Indiana, Pennsylvania, Kentucky and others were strongly Republican.

"Since 1961 we have also had a net gain across the nation of electing 58 state senators, 149 state legislators and, just as important, 197 county court houses."

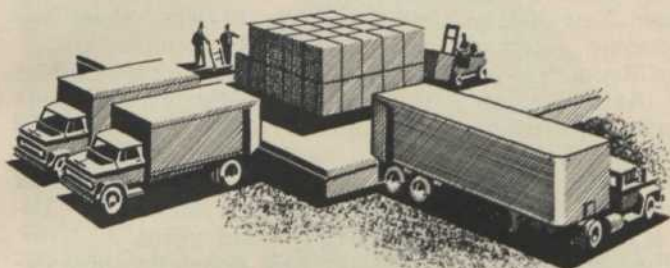
In his report, Mr. Miller also took note of Newark, N.J., where he pointed out the G.O.P. lost by 59,000 in 1960, and where big gains have since been made.

Consider Newark at close range. It's a city of less than half a

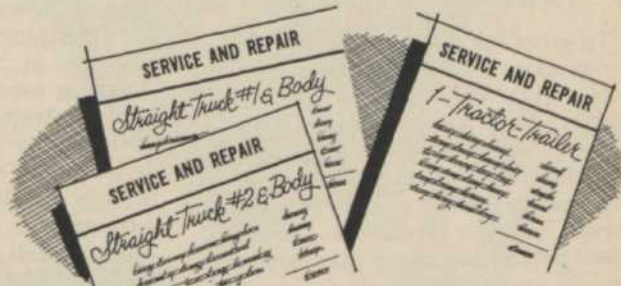


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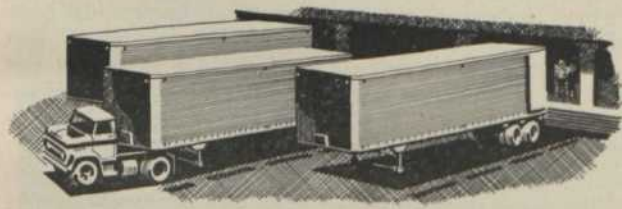
**2. REDUCED MAINTENANCE!** Operating 2 straight trucks means there are two of everything—2 transmissions, 2 rear axles, 2 carburetors, 2 drive shafts, 2 bodies—to service and maintain, as compared with just one of each when you operate a single Tractor-Trailer unit.



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**4. SHUTTLE SAVINGS!** With straight trucks, you tie up a power unit loading or unloading. Also, each truck takes a driver. However, one tractor—with one driver—can handle 2 or 3 Trailers—one loading, a second unloading, while the tractor's en route with a third.



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## REPUBLICANS

continued

million across the Hudson a few miles from New York City. Essex County, in which it is located, is a mass of connected towns totaling nearly one million people. Essex covers three congressional districts. Its residents range from the wealthy of Montclair and Short Hills to the poor of Newark. Newark is crucial in determining how New Jersey will go in the coming election. Reigning over Essex Republican affairs is Andrew C. Axtell, Republican county chairman. His job as he sees it: "Maintaining complete records of all voters and getting them to vote Republican."

Mr. Axtell, who is also president of Essex Welding Equipment Company, Inc., is a balding, tough, plain-speaking prime mover in the G.O.P. big-city crusade.

In Newark, more than 40 per cent of the population is nonwhite. In the county, 22 per cent are Negro, 20 per cent Italian-American, 16 per cent Jewish.

Mr. Axtell considers Newark as the city that controls the state. He is determined to see New Jersey in the Republican column in '64. "In Essex," he told NATION'S BUSINESS, "we will have a chairman for each nationality group. We will carry on an intensive educational campaign to prove that every piece of civil rights legislation has been inspired and passed by Republicans; and in New Jersey Republicans have led the way. In the Eleventh Congressional District, for the first time, the Republican candidate is a Negro.

"There is a feeling of apprehension among the Negroes about Lyndon Johnson," he reports. And he has talked with them often lately in their parlors and in their night clubs.

"If Kennedy were running we wouldn't be able to hold more than 10 to 15 per cent of the Negroes' vote.

"But with Johnson running and in view of our educational program, we can hold between 35 and 40 per cent of this vote."

Republicans too often have been blamed for immigration quotas, says Mr. Axtell. "We will have programs all during the summer to point out what the Republicans have done for nationality groups. The other night we had a meeting of 100 leaders of nationality groups."

Clannish foreign-born groups often vote as a bloc; and usually

they look to their leaders for voting guidance.

"Politicians haven't looked at these political problems as you would at a business," explains Mr. Axtell. "We've got to seek new voters, just as you do new business, or your strength withers. We have to make known our philosophy to everybody."

"We got a market research organization to do a survey here. They said, 'You'll have to run ethnic tickets to win.' Some opponents said, for example, 'Suburbanites will never go for an Italian.' But white Anglo-Saxons here don't discriminate. In the 1963 state and county elections we elected eight out of 14 with an ethnic ticket where we hadn't elected any Republicans in eight years."

For the 1964 ticket, the three Republican congressional candidates will be a Negro, a Jew and a German-American, Mr. Axtell explains. He is also planning an intensive registration drive with the help of Republican clubs in 21 county towns in addition to Newark.

### Machine support studied

In 1964 President Johnson won't have the support of several of the big city machines that helped Mr. Kennedy. The way the Republicans look at it:

Mayor Richard Daley of Chicago, who barely won re-election, and has had his troubles with militant Negroes, is a fading figure. In Philadelphia, the late Rep. William Green, who ran the city's Democratic organization, is gone. In New York, Mayor Wagner has lost ground, Carmine De Sapio is out and both the influential Mrs. Eleanor Roosevelt and former Senator Herbert Lehman are dead.

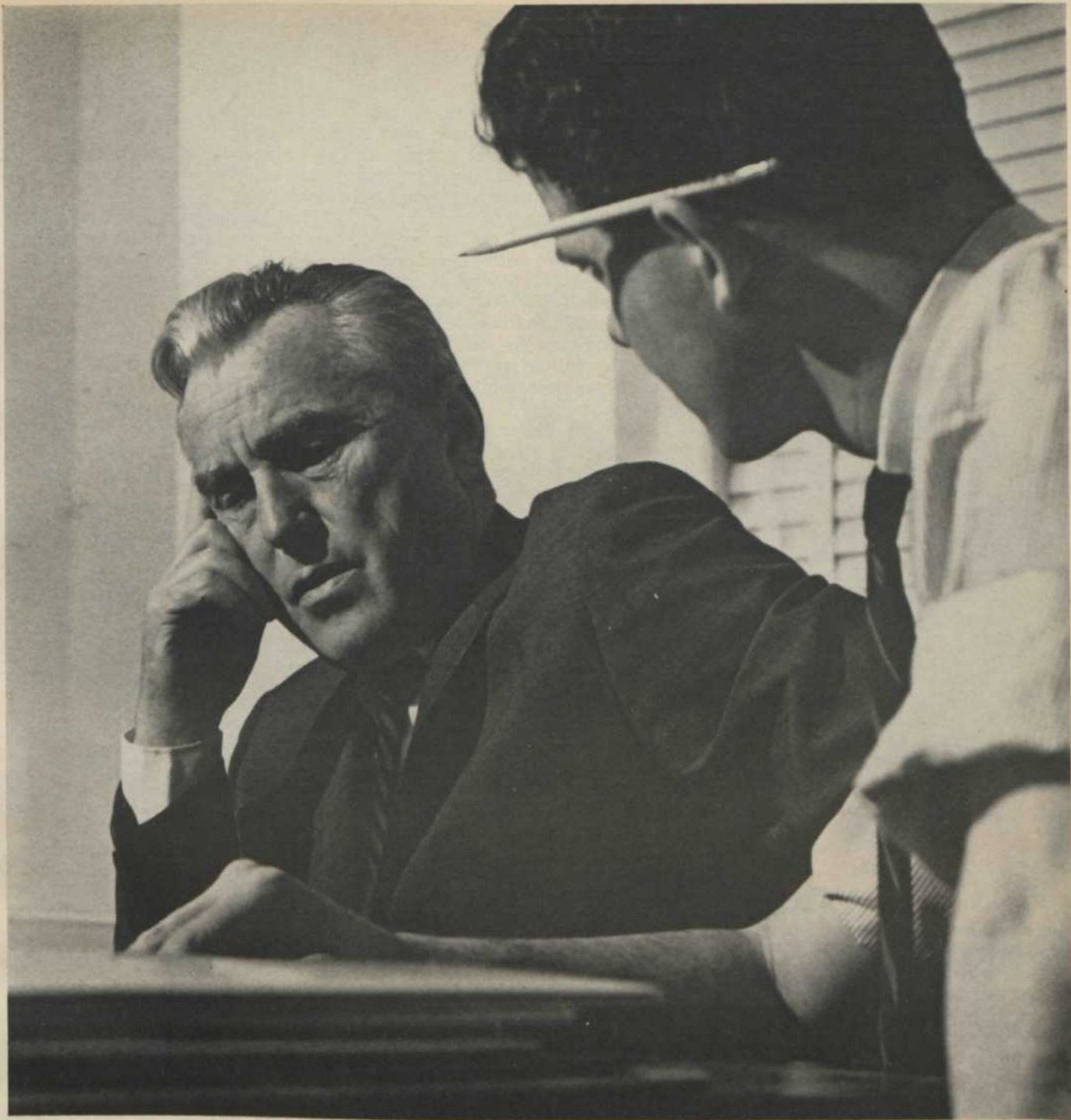
In Mr. Miller's confidential memorandum he also talks of great strides in the South.

"Lyndon Johnson is no darling of the South," says I. Lee Potter, Mr. Miller's special assistant for the South. "He's not making any friends in the South when he has breakfast with Walter Reuther, lunch with Martin Luther King and dinner with Roger Blough."

"The backbone of the party and the ultimate source of its strength or failure," notes Ray Bliss, chairman of the G.O.P.'s Big City Politics Committee, "is the local organization."

Since 1961 regional conferences have been held in cities across the country with workshops on how to raise money, how to get the suburban vote, how to get the urban





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## REPUBLICANS

*continued*

vote, the farm vote, how to organize business executives, how to set up registration drives, work among labor groups, use polls, organize minorities, senior citizens and woman-power.

The party is out of debt and is raising money with "sustaining memberships" at \$10 a throw. In 1962 it raised \$700,000. In 1963, it brought in \$1.2 million. The greatest expenditure by the National Committee will be for TV and radio time. Prime time is already being lined up.

Despite all the emphasis on the big cities, the Republicans aren't forgetting the suburbs. But the typical suburban vote has always been strongly Republican. "We aren't worried about the suburbs," says G.O.P. Organization Director Hermann. "If we can hold Philly down to a 100,000 margin we don't care what happens in the suburbs. We'll have it made."

Republicans tend to discount the high rating of President Johnson in various popularity polls.

"Their overconfidence will help us," says one Republican.

"Polls exaggerate Johnson's popularity," says G.O.P. Research Director William Prendergast, "because there is no one Republican candidate yet, and Republicans rate low because of polling techniques which tend to discourage anybody from saying they are undecided."

On the more positive side for the G.O.P., Gallup poll studies show that the percentage of people who classify themselves as Republicans today is close to the same proportion who said they were Republicans before the 1960 and 1962 elections.

One of the great uncertainties of the upcoming general election is how emotions over civil rights will influence people in the secrecy of the voting booth.

Senator Thruston Morton, presently chairman of the Republican Senatorial Campaign Committee, believes the irritation will grow among both whites and Negroes. The Negroes will be disappointed even after passage of new civil rights legislation, he believes, because all problems will not be solved. On the other side, renewed civil rights demonstrations, particularly if they become more violent, will increase resistance from whites.

As one Republican put it: "We're not seeking the vote of the racially

prejudiced, but there are many lower and middle-class Democrats who are afraid for their children and their jobs, who feel trapped and who don't want to see the property value of their row house or little new home in the suburbs fall because of Negroes moving into their block."

The young, blue-collar or service worker who feels most threatened is likely to be a Democrat or a member of the independent swing group that could vote either way and often decides on emotional grounds.

Whether the Republicans are seeking these fearful voters or not, many of them may vote against the party in power just to show resistance to civil rights pressures.

### Is President touchy?

"Johnson, the man, will be an issue in the campaign," predicts Rep. Bob Wilson, "He is thin-skinned and irritations will show as the campaign gets hotter." "He's not a glamor figure, as Kennedy was," says another Republican.

"Johnson, the person, will repel many voters," another staunch Republican believes. He backs this up with a confidential Republican national poll taken just before the late President Kennedy's death. This showed that only 11 per cent of potential voters believe President Johnson is a man of convictions. They gave such reactions as: "He's too much of a politician." "He'll promise anything to get votes."

The President's identification as a wheeling-dealing Texan with a monopoly television station in Austin is counted on by Republicans to take away some votes from Mr. Johnson. Also stories about his fast driving while drinking beer. His parochial accent is seen as losing some votes. As one northern Democrat said during the 1960 speech-making campaign: "Lyndon sure tries hard; he can't help it if he comes from a foreign country."

Many Republicans claim that what they call foreign policy failings of the Johnson Administration will be a key issue.

Most Republicans admit that the G.O.P. position is unclear today since the Republican presidential nominee has not yet been picked. But as this is done and election draws near, even one top Democratic official says:

"The lines will tighten, the polls will narrow and no one will be sure they have a winner until the day after election." **END**





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The following projections, neither predictions nor prophecies, show what will happen if four major measures of growth continue at somewhat less than the historical trend.

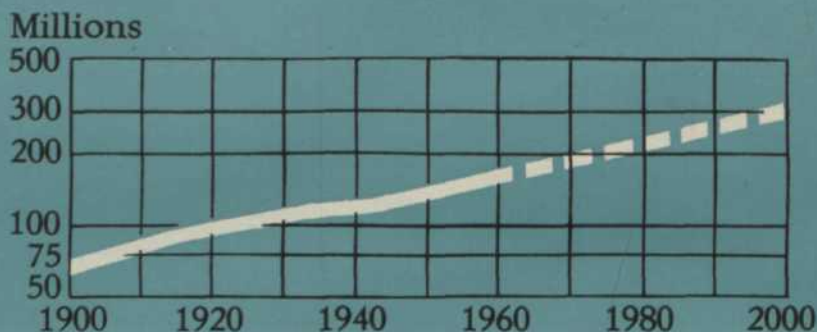
1. Despite spurts and lags, population has grown by an average of 1.5 per cent a year. A rate of 1.4 per cent is projected for the future.

2. The labor force, with the expected time lags, roughly parallels the population trend. Thus the increased birth rate of the last two decades will be reflected in the labor force in the next two.

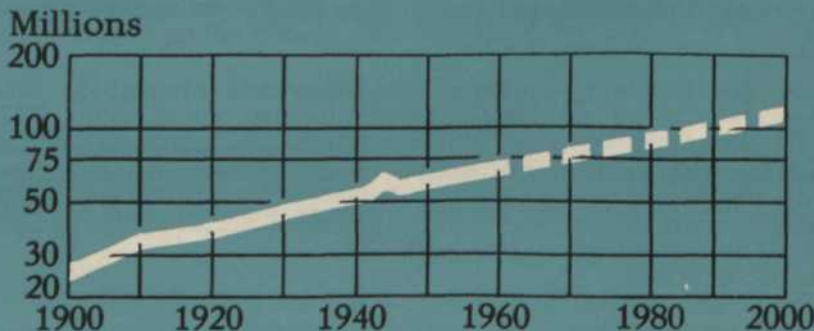
3. Earnings of manufacturing employees, with dips during the depression and rises during war years, have increased on the average by 4.5 per cent. The chart is based on a three per cent growth rate in the future.

4. Individual income has increased at the rate of four per cent over the entire 63-year period. An average of 2.5 per cent is projected on the chart.

## Population will hit 315 million



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*Pete Progress*

Speaking for your local Chamber of Commerce

## DEMOCRATS

*continued from page 76*

U. S. voters saw a man who is not known for his oratory wax eloquent in an address to a joint session of Congress.

They saw their new President meeting with France's de Gaulle, with Britain's Douglas-Home, with Germany's Erhard and with Russia's Mikoyan.

People saw their new President stretch what seemed like 25 hours out of each day as he strained to familiarize himself with his new duties. Ever since, he has given the impression that he can be everywhere at once, accomplishing more with more energy all the time, say his followers.

These memories will linger, Democrats believe, until voting day when Americans decide whether they want Lyndon Johnson to stay on as President.

Furthermore, party leaders stress, the Johnson image is that of a man who can deal with Congress.

This is particularly important in an era when Congress has been widely pictured as balky, antiquated, reluctant to meet today's problems.

Congressional action or inaction logically is directly related to what the public wants. Republican Senate Leader Everett Dirksen points out: "The epithets and slurs hurled at the Congress came in the main from those whose will was not done, whose demands were not met, whose desires were not fulfilled."

In any case, a year ago voters were clearly aware that, despite a Democratic majority in both chambers of Congress, President Kennedy could not get all he asked from the lawmakers. But, on President Johnson's succession, even the casual follower of politics heard the man now in the White House described as one who could wheedle or needle practically anything out of Congress.

### **Tax cut helped LBJ**

Just as President Johnson could not be blamed for the Bay of Pigs Cuban invasion failure, he could hardly escape the glory and credit for enactment of the largest tax cut in history. Even though the bill had been making its necessarily slow and tedious voyage through the congressional shoals and would almost certainly have been enacted if Mr. Kennedy had lived, tax-cut action did seem to spurt after President Johnson came to office.

Undoubtedly the Johnson claim



that he would make economy in government a major objective and cut the federal budget for the coming fiscal year did accelerate tax action in the Senate.

So, Democratic politicians feel, the man in the voters' mind who gave us a tax cut is Lyndon Johnson, while Republicans who fought and pleaded for tax reductions for years are forgotten.

Passage of the record tax cut not only indicated to many voters that President Johnson could get Congress to act, it helped assure what every national politician hopes for: prosperity at election time.

The economy is now in its longest rise since World War II. Most economists see a continuing boom for 1964. High earnings and lower taxes have given spending by both consumers and business a boost that promises more record highs. The economy is now growing at a rate that is greater than politicians in 1960 were calling for in their most optimistic urgings.

Democrats concede that the party—and the President—won't be bashful about claiming credit for that. They will also claim credit for attempting to block inflation by urging wage and price restraint. And they'll note that the President hauled the bargaining table right into the White House to settle the five-year labor-management dispute in the railway case.

Democrats figure the President's budget for the coming fiscal year made him many friends with its low total, even though his critics say it's unrealistic.

In any event, it knocked the slats out from under one of the best campaign charges the Republicans have always made: Democratic fiscal irresponsibility.

It accomplished something else, too. It brought praise and support from many businessmen who deplore big spending.

"Not only the Texas oil interests, but plenty of other businessmen around the country now think of Lyndon as one of them," one high Democratic official points out.

The President made his budgetary feat of predicting a reduction rather than an increase seem even more like magic by calling at the same time for the financing of a new, massive war on poverty—another example of what his supporters consider the uncanny Johnson ability to seem to be all things to all men.

President Johnson, in his declaration of war on poverty, has hit on a theme that is what one of his



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## DEMOCRATS

continued

fellow Democrats calls "the essence of the Democratic Party cause." For the party that says it is the party of the people and the party with a heart, a war on poverty is an appropriate as well as a noble objective.

Democratic leaders feel that the war on poverty challenges the imagination—since no nation has ever won it—and appeals to the charitable strain in Americans who don't like to see their fellow man suffer. So the political appeal goes far beyond the very poor.

### How to disarm an issue

Republicans hope to make political points by criticizing the Johnson Administration's handling of foreign affairs. But the President has made this difficult by putting a key Republican, Henry Cabot Lodge, in charge of the major foreign hot spot, South Vietnam.

As Sam Brightman, deputy chairman of the Democratic National

Committee, says: "The get-tough issue is a great applause line for Republican speech-makers but it's not going to get many votes."

On major domestic issues, adds Mr. Brightman, the Republicans can't make much headway by opposing everything.

Democrats also claim they have a notable record of accomplishment to place before the voters: stronger national defense, achievements in space, enactment of the Trade Expansion Act, creation of the Peace Corps, steps toward arms control, stimulation of depressed areas, more public works, programs for juvenile delinquency.

On what may be the most emotional issue of the campaign, civil rights, Democrats expect to make a net gain in the presidential race by taking a strong pro-civil rights position. As the first southern President in 94 years, Mr. Johnson expects to hold most of the southern states while convincing the Negroes and residents of the North that his civil rights legislation is just and sincere.

An official with the National Association for the Advancement of Colored People tells NATION'S BUSINESS: "If a reasonably strong civil rights bill gets enacted, President Johnson will probably be able to get most of the Negro vote."

As for the possible white backlash, many politicians believe that some whites will vote against incumbents who take strong pro-Negro stands in local races where attempts have been made to seek proportional racial balances in schools, for example. But Democrats feel this resentment won't react against President Johnson at the polls.

Nobody knows how many Democrats there are or how many are registered to vote or how many Republicans or Independents may vote Democratic in November. But everybody agrees that there are more potential Democrats than Republicans.

Certainly voters have elected more Democrats than Republicans in recent times. In the past third of a century the Republicans have controlled both the White House and the Congress for only two years. The Democrats have won in 14 out of the 16 elections held.

As one top Democratic strategist puts it: "This is the normal pattern of American political life. It takes a major crisis or a highly unusual combination of factors to blast most people out of the habit of voting Democratic in a presidential election."

Even in the event of an international crisis between now and election time, this official suggests, the people would probably rally round the President. Support would fall away in great numbers, he observes, "only if the President should suddenly appear on nationwide television, take full blame for some horrendous blunder or publicly wring his hands and admit that he didn't know what to do next."

### Turn-out is a worry

Even though voting Democratic does seem to be a widespread habit, all is not roses for the Democrats in '64. One out of three adults did not vote in 1960, and the proportion could be just as high or higher this year.

Roy Reuther, national director of the AFL-CIO registration and voting campaign, tells NATION'S BUSINESS: "There's a lot of apathy around the country and there may be overconfidence among Democrats because President Johnson seems so strong."

Democratic party officials say there won't be any relaxation in getting out the vote. They worry that President Johnson may not be quite as strong as President Kennedy would have been in '64 among the urban voters, Catholics, Negroes, Irish and union members. But they insist there won't be much fall-off.

"After all, even though Kennedy and Johnson are two distinctly different types, one is as strong for our Democratic principles as the other was."

Another problem for the Democrats is the variety of local requirements connected with voting qualifications. "Forty million people didn't vote in 1960, many of them because they were disenfranchised by antiquated voting procedures," says Matthew A. Reese, Jr., special assistant to the Democratic national chairman. Today 20 per cent of the nation changes residence every year. Because younger, more mobile workers tend to be Democrats many of these potential voters lose the voting privilege.

Mr. Reuther recalls: "I told President Johnson that it's easier to get a fishing license in most parts of the country than it is to register." Mr. Reuther sat on a special presidential commission on voting. In his own state of Michigan, the voting requirements were tightened so that voters have to register every two years rather than every four.

California shuts off registration  
(continued on page 94)

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## DEMOCRATS

*continued*

54 days before the presidential election this year. It's already too late to register in Texas.

Mr. Reuther heads a program that will have a \$600,000 war chest this year to get people registered and voted, and the "first priority will be placed on union members," he says. "We've found in some of the largest labor areas, they are the largest number not registered."

"We are trying to open up more places where workers can register and keep them open longer, but it's a slow procedure."

### **Dispersion is a problem**

A third factor making registration and voting chores more difficult for the Democrats is that so many Democrats are now dispersed and in their own homes in the suburbs rather than renting in town.

Republicans argue that when a man becomes a homeowner, pays property taxes and joins community life his values tend to change and he becomes more conservative and more Republican.

"That's ridiculous," counters Mr. Reuther. "The suburbs used to be silk stocking areas. The theory that a man changes into a Republican when he moves is a myth."

"The suburbs of today are not the suburbs of yesterday. Cities now are saturated and spilling over. You have Detroit suburbs like Bloomfield Hills that will vote overwhelmingly Republican and East Detroit that will be heavily Democratic."

The suburbs have changed drastically in recent years, not only in size but in complexion.

Take Detroit. The total vote in 1952 in the city was 810,000; in the suburbs 532,000. In 1960, the city vote dropped to 743,000; the suburban vote swelled to 889,000.

Or Philadelphia. The city vote was 954,000 in 1952; the suburban vote, 765,000. By 1960, the city vote had fallen to 913,000 and the suburban vote had overtaken it to total 1,033,000.

But even more important politically is the fact that Democrats are invading the suburbs, even some prosperous communities.

Look at what's happened in New York. The four big suburban counties abutting New York City are Nassau, Westchester, Suffolk and Rockland. In 1959 in Suffolk County, for example, 52,000 Democrats were enrolled to 149,000 Republicans. But, as one New York

politician puts it, "It's now become respectable to be a Democrat in Suffolk." Last fall, enrollment figures showed that 83,000 were listed as Democrats, against 172,000 Republicans. So instead of nearly three to one, Democrats have narrowed the gulf to a little over two to one.

In the four suburban New York counties, the Republicans still outnumber Democrats by about two to one, but from 1946 to 1962, while G.O.P. enrollment increased by 72 per cent, Democratic enrollment went up by 190 per cent. So inroads are being made in traditionally Republican strongholds.

Some Republicans believe that the popularity polls in which Mr. Johnson wins such high ratings show a soft majority without real enthusiasm or loyalty.

But Democratic registration chief Reese declares: "We're looking to successful registration to win this race because seven out of 10 who do not vote would vote Democratic if registered. So we're going after them, wherever they are. If you're going to pick cherries, you go where the cherries are."

One big advantage the Democrats have in this election over the last one is that they know who their candidate will be and have more time to plan, whip up interest and get potential voters registered.

Democratic National Chairman John Bailey says: "We have a candidate of great experience, proven leadership and a record of getting things done. Our party's record will prove we're keeping our promises made in 1960. That's why we'll win."

Even in the improbable event that something happened to President Johnson, another Democratic choice would have the advantages of more potential voters at a time of peace and prosperity.

The Democratic nominating convention doesn't convene until August 24, well after the July 13 Republican convention. This affords major political advantages:

The actual campaign for the Democratic presidential nominee can be relatively brief. He can campaign to beat the band up to the convention, but do so with the imposing dignity of a President rather than as a political nominee.

A Democratic vice presidential nominee can be picked with qualifications that help offset the G.O.P. ticket, which then will be known.

All in all, it's hard to find a Democrat nowadays who isn't looking for a Johnson landslide in 1964.

**END**



## FOOD PRICES

continued from page 39

of citizens the government is pressing energetically to help in its poverty program—families with incomes under \$3,000 a year.

Government figures show that families receiving under \$3,000 spend 28 per cent or more of their income on food—about \$840 a year for a \$3,000 family. This is pretty much rock-bottom food consumption, food analysts say. So when food prices rise, these consumers will simply have to pay more of their budget for food instead of cutting down their consumption in order to husband funds.

And for the economy as a whole, higher food prices based on government price-propping do damage by contributing to inflation. Food prices have an especially important role in the upward thrust of inflation because they are so visible. Food costs, for example, make up about 25 per cent of the consumer price index compiled by the government's Bureau of Labor Statistics. Some industrial wage rates are hitched directly to this index, rising automatically when the index rises.

If food costs are highly visible, how does the government get away with holding prices high? Precisely by keeping its price-boosting handiwork as invisible as possible.

Look at the new wheat program which promises price increases to consumers for flour and foods made out of flour. This scheme takes effect on all wheat sold after July 1. The consumer may never be aware directly of the heavy federal intervention even when prices climb.

This past year, the government supported the price of wheat at an average of \$1.82 a bushel. Anybody could buy wheat at approximately that price, with prices varying by type and quality, and do whatever he wanted with it. Under the new program, the price of wheat will be allowed to fall in over-the-counter sales. The price will probably rest at about \$1.35 or \$1.30, Agriculture Department officials have figured.

But anyone who looks at wheat price quotations after July and sees the low over-the-counter price of around \$1.35 in comparison to year-earlier figures and thinks the U.S. has cut the cost of bread's raw material is being deceived. Unseen in the figures will be a 70 cent tax in the form of a certificate which millers and other processors must buy from the government for each bushel of wheat they grind. The 70

## Small wonder.

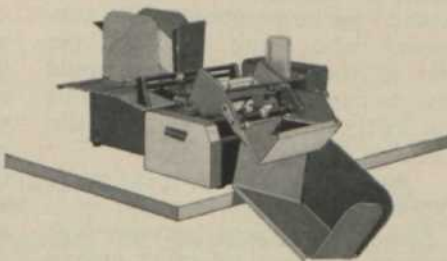


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## FOOD PRICES

*continued*

cents is passed along to the farm. This means the effective price of wheat will be \$2 to \$2.05 based on Agriculture Department expectations—at least 18 cents a bushel or about 10 per cent above the present cost.

### **Double blow to shoppers**

The blow to consumers is doubly stiff. Until the new law was passed this spring, the cost of wheat was expected to edge down this coming year instead of going up. That was because farmers had rejected high federal price props on this year's crop in 1963 balloting.

Millers point out that the 18 cents a bushel more for wheat after July 1 is enough to raise the cost of 100 pounds of flour by 42 cents. By the time this is translated into grocery-store shelf prices for smaller bags of flour bought by a low-income housewife the price could go up as much as one cent a pound, one East Coast miller predicts.

A one pound loaf of white bread, which uses 0.64 pounds of flour, on the average, would reflect the price increase less directly. Bakery industry officials say that bakers may not raise bread prices immediately. But, because of the low profit margins in most bakeries, the wheat increase would mean an earlier bread price increase than otherwise would be necessary.

Flour pricing is very competitive.

A federal grand jury in Buffalo has indicted 12 milling companies on charges of fixing prices they charge commercial buyers.

"We are convinced we are innocent," Gen. E. W. Rawlings, president of General Mills, Inc., said in a statement typical of those issued by other companies charged. "[The indictment] should not be construed by the public as meaning that millers have been selling bakery flour at a great profit. The facts are entirely different. The bakery flour industry has suffered from low or non-existent profits for more than five years. . . ."

Prices of such products as cake mixes and flour the consumer buys at retail aren't involved.

The hidden impact of price supports means consumers often overlook them, placing blame on processors or grocers for increases in food prices. For this reason, a growing number of economists, lawmakers and businessmen believe farm subsidies should be put out in

the open by Congress as straight cash payments to farmers, instead of price supports. Such a program would show taxpayers exactly what the farm program costs them, it's argued.

Price supports hide the impact on the consumer's pocketbook of the farm program, these observers say, much as the pay-as-you-go system masks the height of individual income tax rates.

Government supports keep prices high because demand for the foods involved doesn't fluctuate much with price; in economic terms, demand is inelastic.

That's the key characteristic of the coffee market that underlies the International Coffee Agreement. Ratified by the U.S. last year, the pact embraces countries producing over 90 per cent of the world's coffee, plus the U.S. and other major consuming countries.

Conceived as a means of aiding Latin America by preventing low coffee prices, the agreement enables a council in London to set annual marketing quotas for producing countries. Producers are supposed to put that much coffee—no more and no less—on the market to member consuming countries. The declared aim is to regulate supply so as to prevent coffee prices from falling below those of 1962.

But, if a shortage or suspected coffee shortage develops, for instance, and prices begin to skyrocket as they did early this year, consuming countries can ask the council to set higher marketing quotas. If approved, the higher quotas would mean more coffee on the market and, theoretically at least, bring lower prices. But the quota change would need approval of two thirds of the votes of producing countries as well as consumers. Thus, producers, seeking higher prices, could well block the demand for larger quotas. U.S. consumers, who drink about 52 per cent of the world's coffee, would have to pay more for their morning cup in the interest of aiding Latin America.

### **Demand can fade**

Sometimes prices get so high because of official or other actions that the demand fades away.

Coffee consumption has always remained fairly stable near the current 450 million cups a day here. Recently, however, rising coffee prices and other trends have started coffee growers worrying about the inroads on their product from tea-drinking and the consumption of

soft drinks with meals. The Pan American Coffee Bureau demonstrates what can happen when prices get too high, as they did when retail coffee prices here rose above \$1 a pound in 1954.

"Per capita consumption dropped in a single year by 15 per cent," the bureau says. "Even worse, from the long-range viewpoint, American housewives began to stretch coffee, by adding more water per cup. As a result, housewives made 64 cups of coffee per pound as against the traditional 45 cups per pound."

High government-pegged prices also have boomeranged against Uncle Sam since the government tried to help dairy farmers by supporting butter prices. Result: Butter flowed into government refrigerators, prices rose on store shelves, consumers turned to margarine which had never been able to get a solid foothold up to that time. Butter hasn't been able to win back its lost markets from margarine makers even with later lower prices.

Even though the realities of market economics have forced Secretary Freeman to reduce national dairy price supports, milk prices are being raised in many local markets by federal marketing orders.

These orders, imposed by the government upon the vote of producers—but not consumers—fix the prices at which farmers serving the particular market must sell their milk. In most cases, the government also sets the price of milk at retail and often at other levels of distribution, too.

Behind the marketing orders lies the theory that milk marketing should be stabilized in an area in the interest of farmers who might otherwise be forced to accept low prices from big processors. The price-setting mechanism, therefore, tries to give farmers a fair return on their costs.

This system means that families who drink large amounts of milk—those with many children, for example—often have to pay more whenever the government raises the price of feed grains because this runs up dairymen's costs. Feed for cows is a major cash cost to farmers and carries considerable importance when federal administrators decide if farmers should get more for their milk.

As it is with milk, butter, flour and coffee, so it is with many another food product. The consumer—rich and, especially, poor—has to pay out a larger share of his income because of the government. **END**



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# WHEN IT'S RIGHT TO BE WRONG

Strategically used, concessions to others  
can help you win greater long-run gains

THE REALISTIC MANAGER recognizes that, in his day-to-day dealings with other people, he simply can't afford to win every point.

This makes sense because:

Not every point is of equal importance. Successful executives learn to save their fire for the things that really count.

A small point of right can be overshadowed by larger considerations. What's right for your operation may be wrong for the organization as a whole. And the bigger the company for which you work, the truer this becomes.

"The largest of our modern business enterprises have become so big," declared Alfred P. Sloan, "that they cannot be successfully run if any one man seeks to impose his will arbitrarily upon everybody."

You have to consider, and respect, the other person's need to save face. Yielding on a particular point may represent a small concession to you—a humiliating capitulation to him.

If you always insist upon being right, you appear to be—and probably are—more concerned with the advancement of your own ego than you are in solving the problem at hand.

If you automatically proceed from the premise that you're right, your judgment inevitably will be called into question.

The fellow who's always right is an irritant to everybody. He becomes a natural target. His bosses, colleagues and subordinates will be eager to prove him wrong.

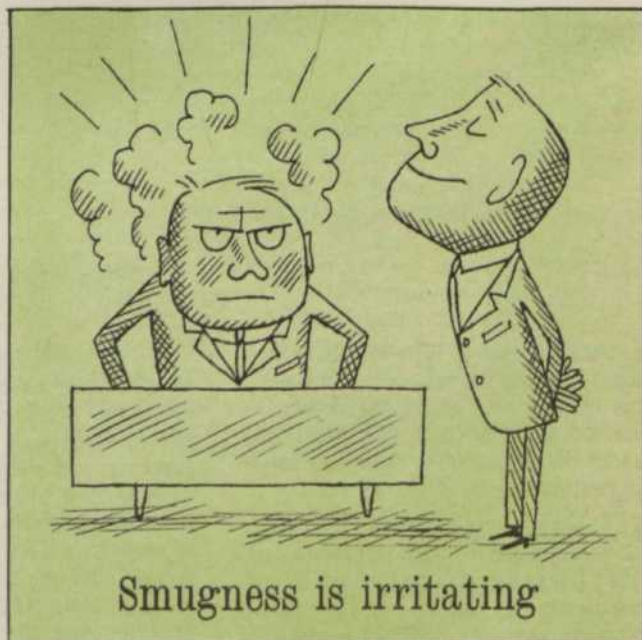
A manager can put many obstacles in his own path by refusing to concede a point, by stubbornly prizing his rightness above any other consideration.

What are these other considerations and how do

they present themselves in a manager's everyday dealings with his boss, his subordinates, and his colleagues?

Consider first how they can come up in a man's relations with his boss.

Though they don't consciously think about it or keep score, most bosses probably expect their subordinates to maintain a certain quota of mistakes. In fact, they would have every reason to look with suspicion at the subordinate who is always right. There are even some who will hold a subordinate to





some subconscious quota of mistakes, even if he's not actually in the wrong that often.

"My boss expects to catch me up short on something or other on an average of every two months or so," one executive reports. "I've learned not to let it throw me. I know that if I'm always right and always proving it, he'll confront me with a whopper sooner or later.

"And," he adds, "I have to admit that every now and then I find myself trying to get the goods on a subordinate who consistently tries to show me he's infallible."

Before you insist to the boss that you're right, ask yourself:

What kind of pressures does he have operating on him?

Am I, in effect, asking him to take a stand with his bosses that he either can't take or would find very difficult to take?

Has he already lost this battle with his boss and, by raising the point again, am I reminding him of what was possibly a painful experience?

Will the effect of this be that I'll look like a show-off or an eager beaver rather than someone who is seriously trying to solve a problem?

Does this make me look strong and independent or merely uncooperative?

Incidentally, if the boss was convinced you were wrong in a particular situation, and later events prove you were right, don't rub it in. The wider your earlier disagreement, the more vividly will the subsequent proving out of your point be clear to him. Chances of its going unnoticed are practically nil. But you can spoil it all by pointing to the evidence of your better judgment.

Auren Uris of Research Institute of America notes: "There are times when being right amounts almost to an affront. The best example is the old I-told-you-so situation, where the individual not only was right, but takes your time and destroys your temper by reminding you of it."

The eager beaver, who thinks he can see how everything in his department can be done better and faster, and never hesitates to speak up about it, is headed for serious trouble with his fellow-workers, many of whom may have had all the same ideas long ago but found they were impractical.

Or take the manager who gets into hot water by pressing too hard for something everyone agrees is right for his department—but not for theirs. For example, in a job-evaluation meeting, such a manager may press for exceptions for his people, his jobs, his salary ranges, forgetting that what benefits his own work group could well create difficulties for other departments. Corporate life, after all, is a group endeavor. Crawford Greenewalt, chairman of E. I. du Pont de Nemours & Co., notes, "Any group activity calls for compromises in which self-interest is tempered by consideration for others."

#### **Coping with nonsense**

In discussing the attributes of the successful executive, Yale University social scientist Chris Argyris puts a high frustration tolerance at the top of the list. "Successful executives," he says, "understand

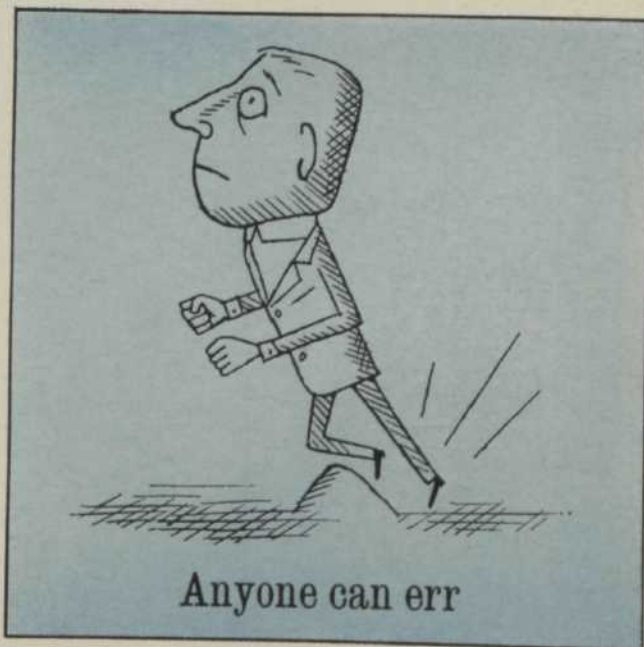


the rules and acts of competitive warfare which call for a high order of diplomacy and forbearance. Although such executives do not agree that it is fair to call it a 'dog eat dog' world, they agree that they have been nibbled at at times." But Dr. Argyris suggests they accept this as part of the game.

We've all sat in meetings where a colleague gives a progress report or cites an achievement that is sheer nonsense—and possibly impinges upon our own interests. But before contradicting or correcting him publicly, next time ask yourself:

- ▶ Is it worth correcting at all, now or later?
- ▶ Am I sure everyone buys his story?
- ▶ Will later events prove him wrong anyway?
- ▶ Will a private word with him later get him to correct the misstatement?

The point is not to fly into the breach every time





***KEEPING PACE WITH THE PRESENT***



The clipper ship is gone. The 2,000-mile-an-hour plane is on the way. In our civilization, change comes—and at an accelerating rate.

To keep pace with the present, we must look ahead, not back. We must cast off the old, adopt the new. This applies to our thinking, as well as to things.

At the same time, we must remember that there are certain values and principles out of the past that are worth preserving. For instance . . .

- The spirit of self-reliance and individual initiative that made the clipper ship possible in the days when the clipper ship was new and needed in the world.
- The right of the individual to make his own decisions, within the limits of not doing harm to other people;
- The right of the individual to set his own goals, to work out his own destiny, to grow and develop in his own direction;
- The right of the individual to own property which he has honestly acquired.

Upon such principles as these—the principles of human and economic freedom—rests not only our system of self-government, but also our system of competitive free enterprise, which has given us the highest level of living for the mass of the people the world has ever known.

If we here in America cast aside these principles in the process of adjusting to change—and by the expedient of turning over to the central government more and more of the responsibilities that belong to free men as individuals—our American way of life sooner or later will be gone.

The Chamber of Commerce of the United States works to strengthen and preserve the values and principles which mark the worth and dignity of the individual—and which have given America its emerging greatness.

The National Chamber is concerned about the long-range good of this country, and the future of the people who live in this country.

The National Chamber, therefore, initiates and develops free-enterprise solutions to national economic and social problems—and through its membership, it works to put these free-enterprise solutions into effect.

The National Chamber is composed of successful, intelligent and responsible citizens. It is not a body of fuddy-duddies or extremists. It is not glued to the past. It is a positive, vigorous, forward-looking organization.

But it has the courage to stand up and say NO when there is need to say NO to schemes and proposals which promise something for nothing, but which lead only to socialism and to increasing governmental intervention and control.

The National Chamber is a federation of 2,900 local, state and regional chambers of commerce, 1,000 trade and professional associations, and 32,000 business firms and individual businessmen.

It has an underlying membership of more than 3,500,000 business and civic leaders and business firms, the members of its affiliated organizations.

For detailed information about the National Chamber, how it is organized, what it does, and how it works, write:

# Chamber of Commerce of the United States

WASHINGTON, D. C. 20006



—and possibly alienate a colleague or appear constantly to be on the defensive. There's nothing wrong with speaking up, but it shouldn't be your standard way of reacting.

An executive, particularly if he's moving up, never knows when he will need to look to his opposite numbers for backing.

Frederick G. Macarow, who recently retired as joint general officer of the Chesapeake and Potomac Telephone Co., sums it up this way:

"Everyone experienced in leadership knows that often, in the interest of teamwork, he must subordinate his personal desires to the interest of the group. He may be anxious to get started in a particular direction; but, if the team is not yet ready, he must restrain himself. Although the members of his group may need his support today, he knows that tomorrow the shoe may be on the other foot and he will need their support."

Just as you have to give your boss his quota of times when you're wrong and he's right, you have to give your subordinates a certain number of innings, too. The difference here is that you have the power and you have to remind yourself from time to time to refrain from exercising it.

"Human frailty and the recurrence of error, honestly committed, are endemic in the business world, and always will be," says Clarence Randall. "The proper response is not anger, not chagrin, but forbearance and understanding."

The exercise of this kind of forbearance, difficult though it may be, is an absolute must for any executive who wants to be selective about the things he is going to crack down on.

#### Case of the proud trainee

"A trainee on my staff came in the other day very proud of the way he'd detected and solved a problem," says one executive. "He told me how he'd done it, and I was appalled at one phone call he'd made along the way because it was clear that he had

won his point by being sarcastic with a supplier. But I knew it would take away all the satisfaction he was getting out of this if I challenged him on that one detail. I decided to swallow it for the time being rather than dampen his initiative."

Another executive tells this story: "My secretary often sends out for lunch and eats at her desk. That was fine until a few weeks ago when she got on a chow mein kick. Now there are days when my office smells like a Chinese restaurant. I know I have the right to insist that she order something less aromatic, but because she's really a gem, I've decided to live with it until she gets off this jag—and make sure, in the meantime, that my lunch appointments don't pick me up at the office."

This kind of courtesy works both ways. Among most subordinates, perfection of character or personality in a boss are neither demanded, expected nor even hoped for. The boss can be stubborn. In fact, he is expected to be stubborn. But he cannot appear to know everything and still get the cooperation he needs to do his job.

So before you tell a subordinate that you're right and he's wrong, ask yourself:

Exactly what is to be gained—and what is to be lost—by deflating him?

If you think he can profit from having a mistake or a failing brought to his attention, should you use this particular set of circumstances to bring the point home?

Look at the quota. How often in the past few weeks have you been right and has he been wrong?

Will subsequent events prove he's wrong anyway, without your telling him?

Is he right in principle but wrong in a detail?

People who always insist on the correctness of a fact, of a view, of a situation, are generally giving every situation equal weight. They are, in effect, saying: Truth is truth—and one truth is fully as important as another.

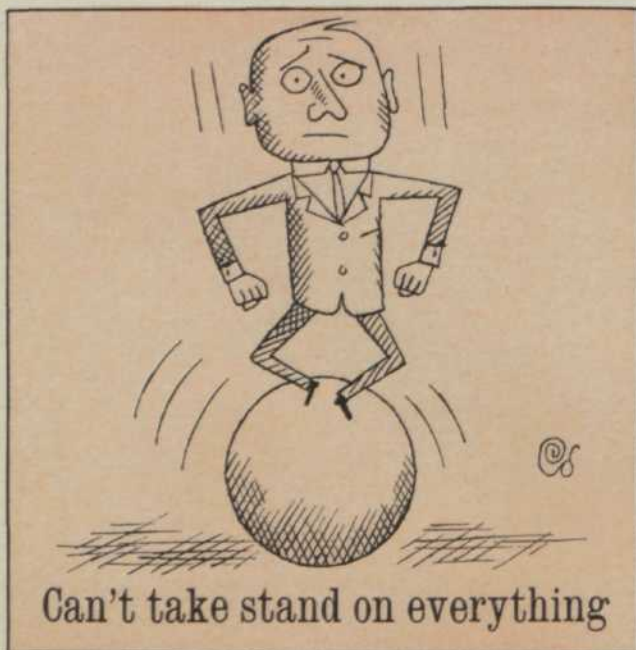
But, as a practical matter, this is not so. There are small truths and there are big truths. There are relevant truths and irrelevant truths.

The important thing is to know the difference. Those who fail to do so tend to elevate every question to a matter of principle. In the name of truth and principle and right they damage their subordinates' self-interest, their colleagues' self-interest and their boss's self-interest. They are less concerned with solutions to problems than they are with having other people acknowledge that they are right.

You can't take a stand on everything. It's not only strategically unsound, it's bad for your health.

"Even if you're dead right," says Dr. George Stevenson of the National Association for Mental Health, "it's easier on your system to give in once in awhile." And, he adds, "If you yield, you'll usually find that others will too."—CHARLES BAILEY

REPRINTS of "When It's Right to Be Wrong" may be obtained for 25 cents a copy, \$12 per 100, or \$90 per thousand postpaid from Nation's Business, 1615 H St., N. W., Washington, D. C., 20006. Please enclose remittance with order.



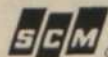


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in a condition to prevail. This would lend support to Khrushchev's position.

#### **Doesn't Red China talk tougher than it acts?**

The Chinese behavior on the whole has been very restrained, one in which the use of force has been carefully calculated, both against India and, by proxy, in Vietnam.

#### **Will this continue?**

It will continue unless the Chinese conclude, on the basis of reasonable assessment of the situation, that they are justified in using more force. That depends very much on the degree of success they have with the limited use of force.

That is why it is so important that they are not allowed to succeed in Southeast Asia—for success would be likely to encourage them into even more dangerous ventures.

There is also an important factor over which nobody has control. Within the foreseeable future, communist China will be faced with the problem of political succession. This might cause internal conflict which could deflect them for a number of years from activities outside China.

#### **How about the danger to the U.S. from other communist countries?**

The United States in the future will face a broad spectrum of countries which practice communism in varying degrees.

The trends within these countries are not going to be uniform. One thing we ought to realize is that many of these countries may become more dictatorial in domestic politics.

To take a specific example, Poland in 1956 had achieved a measure of autonomy from the Soviet Union and a large measure of domestic moderation. Today things are getting worse again in Poland and the intellectual communities are being pressed by the established bureaucrats, what we call the *apparatchiki*.

Now this is, in a sense, a consequence of the growing diversity in communism. The regime becomes more concerned with domestic pressures and therefore begins to clamp down.

#### **Will more countries adopt communism as a form of government under the split than would have without it?**

Yes. In many parts of the world communism will look a little more appealing. Until quite recently com-

munist seemed abhorrent to many nations because it was closely involved with Russian domination. In the future this will be less likely.

Also, Cuba has refuted what the communists have always described as the law of geographic fatalism.

#### **What does that mean?**

That revolutions cannot succeed in isolated areas because imperialists will crush them.

The unfortunate result of the success of Castro is that it shows that even remote areas, once they fall under communist power, can remain communist. They are no longer immediately destroyed from within or from without.

Had Castro been destroyed in one way or another, any revolutionary movement in Latin America would have to labor against the feeling that, in the final analysis, the

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Less work—that's  
joined more pay as prime  
union target. New  
demands are outlined  
on page 36

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whole notion of struggling for communist victories is futile because the moment they win they are then destroyed.

But the success of Castro refutes this feeling of futility. It intensifies the expectation of victory. This is a major breakthrough for the communists.

#### **How will the Moscow-Peking split affect Castro?**

In the line that he recommends for Latin America, Castro is following reasonably close to the Chinese line. But he is dependent entirely for his logistical support, as well as for strategic protection, on the Soviet Union. So formally he takes a Soviet position, but he is acting in the Chinese fashion.

The communist movement that is likely to become dominant in Latin America is going to be of this mixed sort; in effect, more independent-minded.

Throughout the world, we are likely to see some local communist parties in the Soviet camp, some parties in the Chinese camp, some parties perhaps even trying to belong to both and some refusing to go along with either. I would

hazard the guess that with the passage of time the latter two groups will become the most numerous.

#### **Where will the U.S. Communist Party stand?**

It will probably stay with the Soviet, although there is a faction in Boston which is pro-Chinese.

#### **Will the split some day lead the Eastern European satellites to become closer to Western Europe than to Russia?**

Yes. I think that step by step some of them will do so, and eventually even Russia will have a closer relationship with Europe.

#### **Are there likely to be rebellions in other Eastern European satellites like that in Hungary?**

This can never be predicted as a matter of certainty. I would say, as a whole, the chances are less. But, if there should be some sort of earth-shaking event, I could see them being precipitated in certain countries.

For example, if Khrushchev were to die in a rather premature and violent fashion, then I can see eruptions taking place in some of these countries following the shock effect of his sudden death; specifically East Germany and perhaps even Czechoslovakia, where there is considerable ferment.

One has to ponder the question of what would happen if there were a rebellion in East Germany. I think it is likely that the Soviets would begin to take action. But, unlike 1953, there are now 12 West German divisions, and I think it unlikely that these 12 divisions would sit quietly on the sideline watching their countrymen massacred.

So we could have an extraordinarily explosive situation develop in Central Europe.

#### **Are internal coups in the satellite countries probable?**

I can see political coups possibly occurring in Bulgaria and Poland within the ruling parties. There are considerable tensions and factional conflicts within these parties. The consequence of any of these coups would be greater political instability and fluidity. But we cannot expect these regimes actually to lead their countries in the direction of Western Europe.

What we can expect, as they become more independent of the Soviets, is that they will gradually be forced by popular pressure to act more pro-Western Europe in



order to maintain their internal balance. I think this is going to be the No. 1 development in Europe in the course of this decade.

**Within Russia, what will result from this situation?**

In the long run, probably an increasing transformation of the Soviet Union from a world revolutionary power to an intensely nationalistic global power—one which will remain preoccupied very much with its competition with America, but one which will increasingly gain the loyalty of its people and base its foreign policy on nationalism.

I consider this to be a very long-range process, something which will take 30 or 40 years, but I think the trend is generally in that direction.

This means that we have to get accustomed to the notion of a prolonged period of intense American-Soviet competition, frequent tensions and conflicts but, hopefully, with decreasing reliance on violence and threats. I am assuming here, of course, that we will not let the Soviet Union gain a strategic advantage over us in military power.

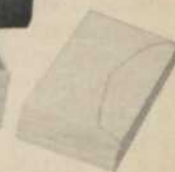
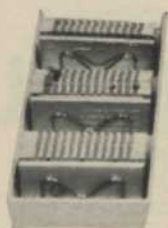
**Then you think the split between Russia and Red China is genuine and deep?**

I think the split is a decisive one. And, even though there may be an ebb and flow in their relationship in the foreseeable future, the trend is inevitable; namely, the emergence, perhaps initially, of two competing international communisms, but eventually a variety of splinter groups with not only two more or less homogeneous blocs but many other communist parties maintaining more independent positions, and regional communist organizations.

The schism is of profound and basic importance. I see it as being equally as important as the split in Christianity between the Catholic Church and the Protestant movements. After the split, Christianity was never again the same organized force.

The Protestant Church, after the Reformation, never maintained its unity and became more and more splintered. What Luther did was to separate a large section of organized Christianity away from the center, and this in turn split up into a multiplicity of churches.

This is precisely what I think will happen to the Soviet side of the dispute. The Chinese, I think, will be more like the Catholic Church. They will maintain unity. **END**



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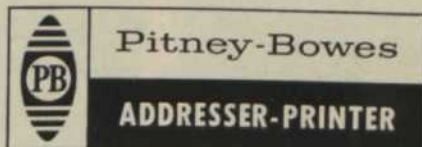
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# EXPERTS ANALYZE INVESTMENT OUTLOOK

## Bankers tell what factors will affect stock market

THE AFTERGLOW of the tax cut and good business prospects will continue to support a strong stock market this year.

This is a composite view of bankers questioned by NATION'S BUSINESS on the investment outlook. Most anticipate routine fluctuations and several foresee the possibility of pronounced difficulties next year.

Other supporting forces include the favorable outlook for earnings and dividends over the next year or two and the expectation of continuing long-term economic growth.

A New Yorker, Joseph C. Bick-

ford, vice president of the Bankers Trust Co., comments: "There is a strong and improving volume of sales to be buoyed in the next 12 or more months by the benefits of the tax cut and a firmer price structure than has prevailed for some time."

But he cautions that "investor confidence could be impaired by a prolonged strike in a basic industry."

A Chicagoan, Alfred P. Haake, Jr., vice president of Continental Illinois National Bank and Trust Co., expresses confidence in the long-term growth potential of the nation's economy but for the short run he

says there could be some temporary decline in security prices.

Charles M. Bliss, chairman of the board, Bank of New York, says: "Although the market is high by historical standards, the balance of forces would appear to support an upward trend. Among the factors contributing to the maintenance of a firm market tone, the favorable outlook for business is perhaps the most significant."

Higher business spending on plant and equipment, the generally high level of business and consumer confidence and the continuing siz-

## Trust officers spotlight key to market prospects

Favorable prospects for corporate earnings support stock trends, says **Alfred P. Haake Jr.**, left, vice president of Continental Illinois National Bank and Trust Co., Chicago. **Joseph C. Bickford**, center, vice president, Bankers Trust Co., New York, says excessive boom could lead to some painful readjustments next year. **Morton Smith**, right, vice president of the Girard Trust Corn Exchange Bank, Philadelphia, thinks that business generally is unlikely to be upset by intermediate changes in stock market trends.





able demand by institutional investors are also listed by such analysts as Waid R. Vanderpoel, vice president of the First National Bank of Chicago.

He thinks, too, that there is "some new feeling that inflationary pressures are again building up."

He is careful to note that this is not to be construed as a prediction that these forces will continue to push the market ever higher.

"There should be a good investment climate ahead, particularly for long-term growth," says Guy H. Lawhead Jr., trust investment officer of the Kanawha Valley Bank, Charleston, W. Va.

He suggests, however, "the possibility of a change from a rising market to a selective plateau" with averages moving in a narrow range until company earnings catch up with stock prices. He looks for market corrections but no substantial drop, barring unforeseen economic or international factors.

Several bankers believe it will be well to anticipate swings in price averages within a range of 10 per cent.

A Chicago banker thinks the short-term investment situation looks reasonably attractive in view of the rising level of earnings and dividends. But, he cautions, "If

speculative excesses develop, the stock market will inevitably suffer a correction."

Considering earnings from a longer range point of view, he adds, "Stocks generally appear to be commanding generous earnings multiples in relation to the average earnings which appear probable over the next few years."

The present situation, says Morton Smith, vice president of the Girard Trust Corn Exchange Bank, Philadelphia, "provides good investment opportunities in medium and long-term government bonds, high grade tax exempts and some unpopular groups of investment common stock such as leading food chains."

He cautions that prospective yields on most equities are unattractive even on optimistic projections.

Here is another view of what's ahead from a midwest banker:

"Barring an international crisis or the possible disability of President Johnson, a substantial drop in the market does not appear a strong possibility in 1964.

"In 1965, a major market upset will be a more distinct possibility. It is certainly conceivable that there could develop a shortage of bank credit. It is also distinctly possible

that any or all of business inventory expansion, consumer credit and capital spending could reach unsustainable levels before the end of 1965."

Several factors in the months ahead could alter the market outlook drastically. A Chicago banker says, "Danger points could include continued inventory buildup, a sizable increase in interest rates and a possible deterioration in the quality of credit being extended."

Others list labor unrest as a factor that could dull a constructive trend. A worsening in international relations and some major uncertainties in the domestic political situation also are mentioned. Several also say a worsening of racial tensions on a national scale could be upsetting.

How will market trends influence business generally? "Good markets tend to keep business optimistic," comments Mr. Lawhead.

"Judging by the slight impact on business of wide stock price fluctuations in 1962, business is unlikely to be upset by sharp intermediate corrections in the stock market," says Mr. Smith.

"The stock market could certainly decline 10 per cent or more without encountering exceptionally serious problems," comments a mid-

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## INVESTMENT

continued

western investment officer. "While the stock market continues to rise it will add to the attitude of business buoyancy."

Here are other views of bankers:

### Profits will improve further

*Charles M. Bliss, chairman of the board, Bank of New York:*

Assuming that individuals spend upwards of three fourths of their tax cut to augment disposable income, gross national product should average about \$625 billion for the year and cross the \$640 billion mark in the fourth quarter of 1964.

Provided no excesses develop between now and year-end in such areas as plant and equipment spending and inventory accumulation, and provided no aggravation occurs in our balance-of-payments situation, the economy could well continue its advance throughout the first half of 1965.

On the basis of this business pattern, corporate profits seem likely to show significant improvement, to the level of \$56 billion before taxes for 1964 and perhaps to the \$58 billion area for the first half of 1965.

These economic forces and such additional factors as the population growth pattern envisaged for the second half of the 1960's and the improved relationship between business and an Administration which recognizes the need for fostering the profit incentive all combine to imply a favorable investment climate in the months ahead.

However, it is always wise to view the future with caution. The level of the market is one negative factor. When stocks already are selling at almost 20 times anticipated earnings, it is hazardous indeed to project a further enriching of price-earnings ratios.

The business expansion is now more than three years old. Deterioration is apparent in the quality of some types of credit. The balance-of-payments problem is still with us. Important labor negotiations are due this summer. The outlook for defense spending is murky. Uncertainties exist with regard to the election, the President's health, the international situation.

Over the past year the market and the economy both have demonstrated a remarkable resilience—a

definite ability to withstand the shock of cold-war developments, civil rights demonstrations and President Kennedy's assassination. Whether such resilience will be demonstrated in the future is a moot point.

### Long-term outlook is good

*Alfred P. Haake Jr., vice president, Continental Illinois National Bank and Trust Co., Chicago:*

Forces supporting stock trends at this time include the favorable outlook for corporate earnings, the likelihood of increased capital expenditures, anticipation of a broad multiplier effect from the tax cut, recognition of the long-term inflationary bias of our economy, the absence for the time being of serious international monetary problems and an underlying confidence in the long-term growth potential of the nation's economy.

Until recently this has apparently been largely a professional market. A major part of the rise since October 1962 has taken place in the big blue chips which are favored by institutional investors. Until just recently individuals appear to have been sellers on balance.

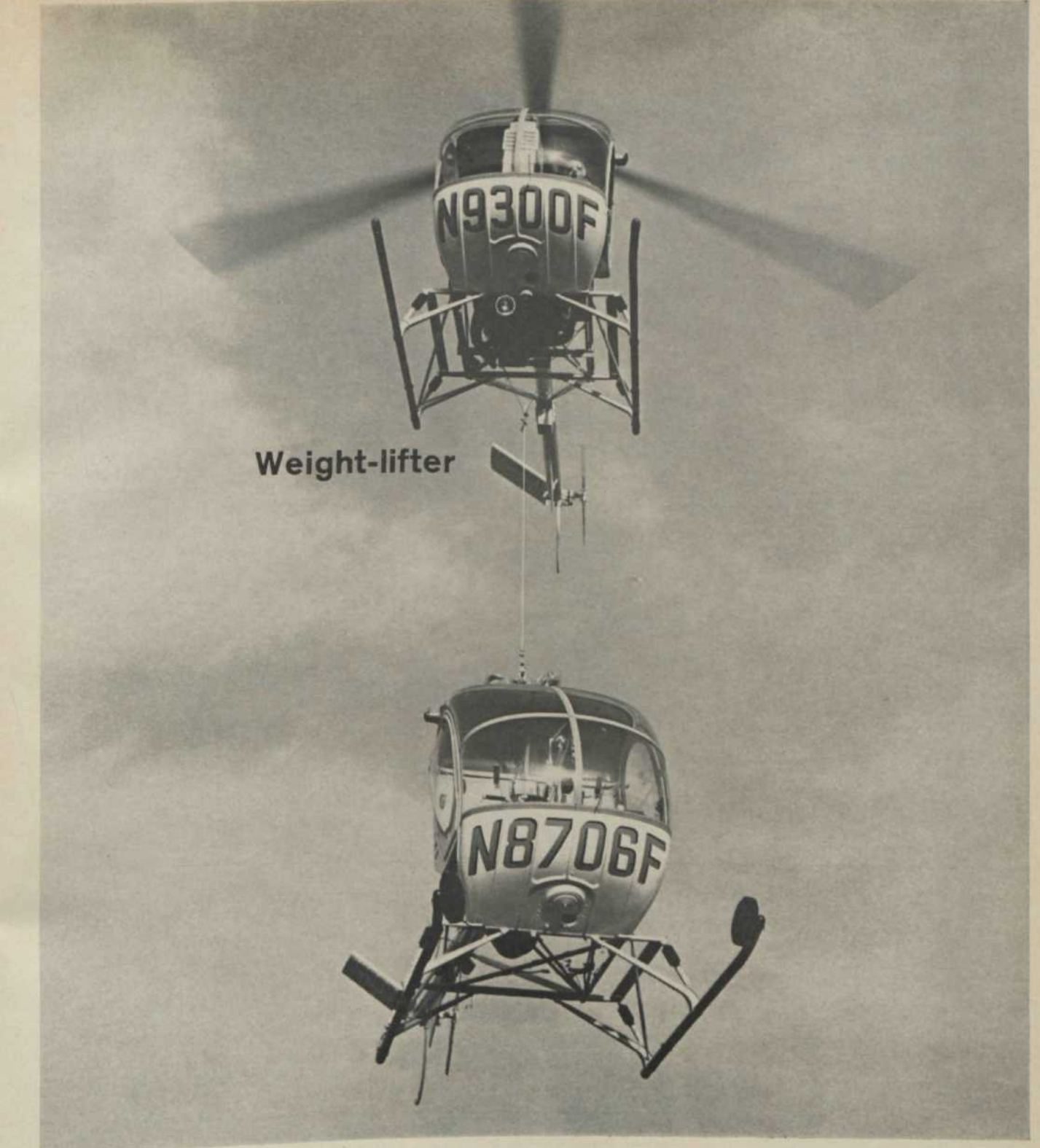
There are now some indications of an intensified search for stocks which have lagged behind the market. An increased participation by individuals could well be the next development—and I believe it has already started. If this occurs in substantial magnitude, I will take it as a danger sign.

While I expect this market to go higher, it has already reached a level where the approach should be one of caution rather than aggressive exuberance. It is time for improving quality in a portfolio and beginning to build reserves. Stock prices do not go up in a straight line forever. There can easily be a correction of fairly substantial proportions in the next year or so.

The outlook holds both promise in the long run and some questions over the short run. I have every confidence that the next decade will reward the wise investor well.

Over the next six to 12 months it is difficult to be quite sure. Labor negotiations, international developments, unexpected governmental action, uncertainty on inflation, or a combination of these and other factors could at any time cause a temporary loss of confidence on the





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	Page
American Cyanamid Company.....	50
The Bresnick Company, Inc., Boston	
American Telephone & Telegraph Company, Business General.....	4, 5
N. W. Ayer & Son, Inc., Philadelphia	
Anchor Post Products, Inc., Fence Division.....	89
VanSant Dugdale & Company, Inc., Baltimore	
Avis, Inc., Doyle Dane Bernbach, Inc., New York.....	61
Blue Cross Associations.....	46
J. Walter Thompson Company, Chicago	
Blue Shield Plans, National Associations of.....	47
J. Walter Thompson Company, Chicago	
Bureau of Business Practice, Prentice-Hall, Inc., Albert Frank-Guenther Law, Inc., New York.....	1
Butler Manufacturing Company.....	53
The Griswold-Eshleman Company, Chicago	
Cadillac Motor Car Division of GMC.....	15
MacManus, John & Adams, Inc., Bloomfield Hills, Michigan	
Chamber of Commerce of the United States.....	100, 101
Chase Manhattan Bank.....	54, 55
Compton Advertising, Inc., New York	
Checker Motors Corporation.....	95
Herbert Baker Advertising, Inc., Chicago	
Chemical Concentrates, Div. of Baker Industries, Inc., Charles D. Karlsruher Advertising, Havertown, Pa.....	90
Continental Insurance Companies.....	20
Doyle Dane Bernbach, Inc., New York	
Detroit Diesel Engine Div. of GMC.....	51
Kudner Agency, Inc., New York	
Dodge Division, Chrysler Corp., Trucks.....	3rd Cover
Batten, Barton, Durstine & Osborn, Inc., Detroit	
Dodge, F. W., Corporation.....	45
G. M. Basford Company, New York	
DuKane Corporation, Audio Visual Div.....	90
Conner-Sager Associates, Inc., Aurora, Ill.	
Eastman Kodak Co., Verifax Div.....	49
J. Walter Thompson Company, New York	
Evinrude Motors, Div. of Outboard Marine Corp.....	4th Cover
The Cramer-Krasselt Co., Milwaukee	
Executone, Inc., G. M. Basford Company, New York.....	10
Ford Motor Company, Trucks.....	91
J. Walter Thompson Company, Detroit	
Ford Tractor & Implement Operations.....	56
Meldrum & Fewsmith, Inc., Cleveland	
Friden, Inc., Richard N. Meltzer Advertising, Inc., San Francisco.....	92, 93
Frigidaire Division of GMC.....	16
Kircher, Helton & Collett, Inc., Dayton, Ohio	
Fruchauf Trailer Division, Fruchauf Corporation.....	81
The Allman Company, Inc., Detroit	
General Telephone & Electronics Corporation.....	2nd Cover
Kudner Agency, Inc., New York	
Hamilton Watch Company.....	82
VanSant Dugdale & Company, Inc., Baltimore	
Hancock, John, Mutual Life Insurance Company.....	52, 62
McCann-Erickson, Inc., New York	
Heyer, Inc., The Biddle Company, Bloomington, Ill.....	50
Hughes Tool Company, Aircraft Division.....	109
Foot, Cone & Belding, Los Angeles	
Hyster Company, Industrial Truck Div.....	108
Cole & Weber, Inc., Portland, Oregon	
International Business Machines Corp., Electric Typewriter Division.....	17
Benton & Bowles, Inc., New York	
International Harvester Company, Motor Truck Division.....	18, 19
Young & Rubicam, Inc., Chicago	

	Page
Kaiser Jeep Corporation.....	25
Norman, Craig & Kummel, Inc., New York	
Latham Time Recorder Co.....	82
J. Howard Allison & Company, Atlanta	
Lincoln National Life Insurance Company.....	85
Mazon, Inc., Detroit	
National Cash Register Co.....	26, 74, 95
McCann-Erickson, Inc., New York	
National Truck Leasing System.....	64
Stevens-Kirkland-Stabelfeldt, Inc., Chicago	
Nationwide Insurance Company.....	30
Ogilvy, Benson & Mather, Inc., New York	
New York Life Insurance Company.....	6
Compton Advertising, Inc., New York	
Olin Mathieson Chemical Corporation, Packaging Division.....	73
Doyle Dane Bernbach, Inc., New York	
Oxford Filing Supply Company, Inc., Kelly, Nason, Inc., New York.....	68
Perrygraf Corporation.....	14
Bear Advertising, Inc., Hollywood, Calif.	
Pitney-Bowes, Inc., L. E. McGivena & Company, Inc., New York.....	57, 89, 105
Quality Courts United, Inc., McCann-Marschalk Company, Inc., Miami.....	21
REA Express.....	97
Erwin Wasey, Ruthrauff & Ryan, Inc., New York	
Recordak Corporation.....	29
J. Walter Thompson Company, New York	
Remington Office Machines Div., Sperry Rand Corporation.....	71
Gardner Advertising Company, Inc., New York	
Reznor Manufacturing Company.....	94
Meek & Thomas, Inc., Youngstown, Ohio	
Royal McBee Corporation, Data Processing Systems.....	83
Young & Rubicam, Inc., New York	
Royal McBee Corporation, Office Typewriter Division.....	22
Young & Rubicam, Inc., New York	
St. Paul Insurance Companies, The.....	69
Campbell-Mithun, Inc., Minneapolis	
Sanborn's Mexican Insurance.....	90
Pittuk Advertising Company, San Antonio	
SCM Corporation, Office Products Division.....	103
Batten, Barton, Durstine & Osborn, Inc., New York	
Scriptomatic, Inc., The Ullman Organization, Philadelphia.....	95
Southern Company, The.....	11
Liller, Neal, Battle & Lindsey, Inc., Atlanta	
Tennessee Division for Industrial Development.....	74
Coggin Advertising Agency, Nashville	
Todd Company Division, The, Burroughs Corporation.....	84
The Rumrill Company, Inc., Rochester	
Transamerica Insurance Company.....	13
The Wyman Company, Inc., San Francisco	
Travelers Insurance Company, The.....	80
Young & Rubicam, Inc., New York	
United States Leasing Corporation.....	12
Hoefer, Dieterich & Brown, Inc., San Francisco	
United States Steel Corp., Cyclone Fence Division.....	48
Batten, Barton, Durstine & Osborn, Inc., Pittsburgh	
Western Electric Company.....	111
Cunningham & Walsh, Inc., New York	
Xerox Corporation.....	63
Papert, Koenig, Lois, Inc., New York	

## Regional Advertisements

American Trucking Associations, Inc., The Allman Company, Inc., Detroit.....	65
Magazine Publishers Association.....	65
Magazine Advertising Bureau, New York	
Nation's Business.....	79
Varco Steel, Inc., James H. Faulkner & Associates, Pine Bluff, Ark.....	79

## INVESTMENT

continued

part of investors, resulting in a sharp but temporary decline in security prices. The investor who faces the near future with strong companies and a significant buying reserve should be able to bridge this period with confidence.

## Excesses could cause readjustment

Joseph C. Bickford, vice president, Bankers Trust Co., New York:

Stock trends are supported at this time by a high level of confidence that the underlying strength and long-term growth in the economy will permit the extension of the period of rising corporate profits and dividends. In addition, there is continuing concern about protecting the future purchasing power of the dollar.

I would anticipate increasing attention to the possible danger arising from too much of a boom resulting in excesses which could cause painful readjustment. There may be moderate tempering of some excesses of investor optimism if different sectors in the economy reflect lesser gains than had been anticipated and a possible adverse environment which could result from pre-election jitters and, to a lesser extent, postelection jitters.

Investor confidence could be impaired by a prolonged strike in a basic industry, with disruptive effect on inventory and production rates of interrelated industries. Conversely, an over-large settlement might suggest either a widening inflationary pattern or serious rise in costs which could not be passed on to the consumer.

Present price-earnings ratios in many instances leave little room for disappointments or absorption of seriously adverse news. I do not know the range of fluctuations of stock prices which this might embrace but always feel it is necessary to be prepared for price swings of at least 10 per cent.

A continuance of the present strong investor confidence should react favorably on business plans.

I believe the current situation is a favorable one for long-term investment with most areas of the security markets, including both bonds and stocks offering many and varied good values. Care in selection is necessary and rewarding. END



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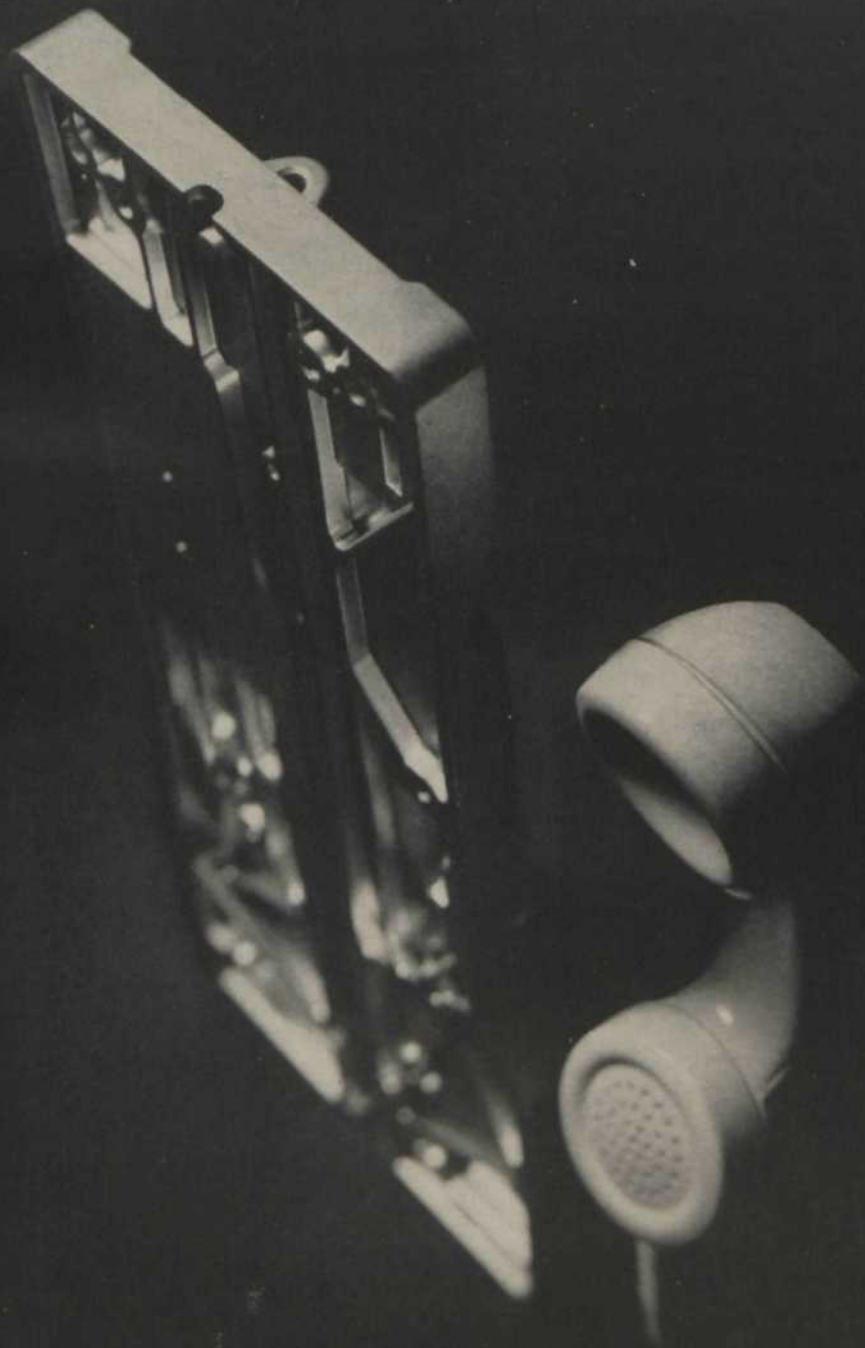
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